Austria ... Sch. 18	Indonesia .. Rp 2700	Portugal ... Esc 80
Bahrain ... Din.0.850	Italy ...... L 1300	S. Arabia .. Rls 5.00
Belgium ... BFr.38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils.500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan .. NT $85
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. .. Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1 50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,653 — Wednesday June 19 1985 — D 8523 B

U.S. telecoms: after the AT&T divestiture, Page 14

World news | Business summary

Sri Lanka launches peace initiative

Clashes between security forces and Tamil extremists which have engulfed the south Asian island of Sri Lanka for nearly two years may halt in the next few days.

This would be the first stage of a peace initiative launched with the help of Indian Prime Minister Rajiv Gandhi who recently held a summit in New Delhi with Sri Lankan President Junius Jayawardene. Rajiv's vital role, Page 15

Beirut camps accord

The Lebanese Shia Moslem Amal movement and the Damascus-based Palestine National Salvation Front signed an agreement to end 27 days of bloody fighting in Palestinian refugee camps in Beirut.

Afghans destroy jets

Saboteurs destroyed about 20 jet fighters belonging to the Afghan Air Force at Moscow's largest and best defended airbase in Afghanistan, Western diplomats said. The attack earlier this month seemed to have been the work of Afghans at the base.

Soviet rocket tests

The Soviet Union warned foreign ships and aircraft to avoid an area of the Pacific Ocean where they could be in danger from rocket tests.

French rail strike

French railway unions said they were calling a one-day strike which would disrupt the running of over half of France's rail network.

Polish church talks

Poland's Roman Catholic Primate, Cardinal Josef Glemp, conferred with Communist Party leader General Wojciech Jaruzelski for the first time since January 1984. Page 2

Spanish killing

A Spanish police corporal was shot dead in the northern Basque town of Santurce. Police said his murder bore the hallmarks of the Basque separatist guerrilla group Eta. Page 2

Dutch pressure

The Netherlands Government proposed that Dutch companies operating in South Africa should be legally bound to give black workers equal treatment to whites.

S.Africa accused

The U.S. accused South Africa of trying to sabotage U.S.-owned oil installations during a raid into Angola last month.

New U.S. ambassador

U.S. Assistant Secretary of State Richard Burt was named ambassador to West Germany, despite apparent misgivings in Bonn. Page 3

England win

England's cricketers opened the six-match series with a five-wicket win at Headingley. Australia 331 and 324 (W Phillips 91; J Emburey 5-82), England 533 and 123-5.

U.S. food deal

Washington and Moscow have concluded a new deal on agricultural co-operation similiar to the one broken off by the U.S. in 1980 in protest against the Soviet intervention in Afghanistan. Page 2

China reshuffle

China announced a government reshuffle, bringing in technocrats to head key ministries connected with economic development and putting a vice-premier in charge of education. Page 16

Policeman killed

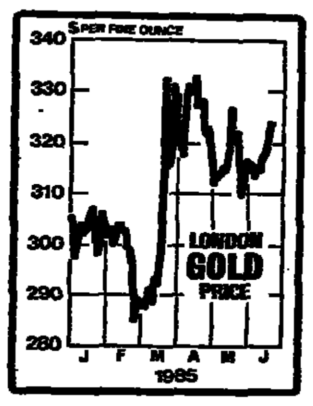
An Ulster policeman died near Kinawley, Northern Ireland, when IRA terrorists detonated a 1,000 lb bomb under his car.

Tenneco to buy Goodyear gas lines

TENNECO, the diversified U.S. energy and industrial conglomerate, is stengthening its position in the natural gas pipeline industry with the $500m acquisitionof Goodyear's pipeline and other gas activities in Louisiana. Page 17

TOKYO shares lost ground led by selling of blue chip and biotechnology stocks. The Nikkei-Dow market average fell 28.17 to 12,741.11. Page 42

LONDON trading remained subdued, although gilts received support. The FT Ordinary share index closed 2.5 lower at 985.80. Page 42



GOLD rose $5.50 an ounce on the London bullion market to finish at $324.75. It was also higher in Zurich at $323.75. In New York the Comex August settlement was $350.50. Page 34.

WALL STREET at 3pm the Dow Jones industrial average was 4.14 higher at 1,302.53. Page 42

STERLING was higher in London, gaining 2 cents against the dollar to finish at $1.2995. It also rose to DM 3.935 (DM 3.915), SwFr 3.3 (SwFr 3.2925), FFr 12.025 (FFr 11.9575) and Y322.0 (Y318.25). The pound's exchange rate index rose to 80.5 from 79.7. Page 35

DOLLAR fell in London, closing at DM 3.028 (DM 3.0615), SwFr 2.5385 (SwFr 2.5745), FFr 9.2425 (FFr 9.335) and Y247.5 (Y248.65). On Bank of England figures, the dollar's exchange rate index fell to 144.2 from 145.2. Page 35

ITALY expressed its concern to the U.S. about pending U.S. trade protection measures which could hit Italian exports of shoes and pasta.

SINGAPORE stockbrokers are angry over legislative proposals which, if enacted, would bring them under supervision of the Monetary Authority of Singapore, the Government's powerful regulatory agency for the island's state banks. Page 19

EUROBOND market was hit with a further rush of floating rate notes, including a $400m deal for Belgium and a $250m issue for Banque Nationale de Paris. Page 17

SONY, the Japanese electronics group, lifted net profits in the first half 8.8 per cent to Y38.11bn ($153.2m) against Y35.01bn, on turnover 11.8 per cent ahead at Y679.86bn. Page 19

HONEYWELL, major U.S. computer manufacturer, said it expects second-quarter earnings to decline "sharply" from the $1.70 per share earned in the second quarter last year.

NORSK HYDRO, the Norwegian industrial and energy group, plans to buy a majority stake in Cofaz, the French fertiliser company, through purchases from two French concerns which together hold 80 per cent of Cofaz's shares. Page 17

CUMMINS ENGINE, the leading U.S. manufacturer of diesel engines for heavy duty trucks, is to cut 2,200 jobs over the next few weeks. Page 17

IBM, the world's largest computer maker, increased the pressure on its rivals with a raft of price cuts and new product announcements. Page 17

UNION BANK of Hong Kong, one of the territory's medium-sized banks, reported a 92.5 per cent slide in 1984 net earnings to HK$2.8m ($360,000). Page 19

Cut in prime fuels hopes of fall in U.S. discount rate

BY STEWART FLEMING IN WASHINGTON AND PAUL TAYLOR IN NEW YORK

MORGAN Guaranty Trust, the large New York commercial bank, cut its prime lending rate from 10 per cent to 9½ per cent yesterday, a move that took the prime rate of a major U.S. bank back into single figures for the first time since September 1978.

The move, quickly mirrored by other leading banks, spurred renewed speculation on Wall Street about a cut in the Federal Reserve's discount rate from its current level of 7½ per cent.

The reductions follow significant declines in market interest rates in recent weeks which have lowered the cost of funds to the banks themselves and which Wall Street sees as evidence of a continuing effort by the Federal Reserve to ease its monetary policy in the face of the weakness of the U.S. economy.

Morgan Guaranty's reduction in the benchmark corporate lending rate, coupled with a further decline in short-term U.S. rates, helped buoy the recent bull market rally in bond prices while sending the dollar tumbling on the foreign exchange markets.

In the credit markets, the key Treasury long bond price had gained a further ¼ of a point by lunchtime, sending the yield tumbling to 10.25 per cent. Equity prices also edged higher in response to lower short-term rates, while in the New York foreign exchange markets the dollar came under renewed selling pressure, falling in early active trading to DM 3.026. Sterling climbed back to $1.30 in New York after closing at $1.2995 in London.

The dollar's decline reflected the now widespread belief on Wall Street that a further Fed discount rate cut is imminent. Signalling this, U.S. money market rates fell again yesterday with Treasury bill rates declining by up to 10 basis points.

Meanwhile, the overnight Fed funds rate, often viewed as a key indicator of the U.S. central bank's intentions, dropped to 6.75 per cent in early trading before the Fed stepped in to drain reserves through overnight matched sales. The Fed's action, which came with the funds rate trading at 6⅞ per cent, was quickly brushed off by the markets, which generally viewed it as an attempt by the Fed to slow the sharp decline in rates, rather than an indication that an early discount rate cut was being ruled out.

Mr Brian Fabbri of Salomon Brothers described the Fed's open market activities as an overt "steadying" action, designed to warn the market away from respecting a full point reduction in the current 7.5 per cent discount rate, while nevertheless signalling its acceptance of 7 per cent Fed funds rate which would imply a more modest half point reduction in the discount rate.

Since the previous prime rate cut and Fed's last discount rate reduction, in mid-May, money market rates and bank funding costs have continued to tumble – paving the way for the long-expected prime rate reduction yesterday.

Bank certificate of deposit rates have declined by 60 basis points over the past month while three month T-bill rates have dropped by three quarters of a full point. Meanwhile corporate treasurers have watched long-term rates tumble to the lowest levels for five years and rates on commercial paper, an increasingly popular corporate alternative to short-term bank borrowings, fall by about 65 basis points.

Among the other major banks to match Morgan Guaranty's move yesterday were Bankers Trust, Citicorp, Chemical, Chicago's Continental Illinois and BankAmerica on the West Coast.

Yesterday's half point cut was the latest in a series of reductions which have steadily brought the lending rate down from its 1984 peak of 13.5 per cent last August.

The move by Morgan Guaranty followed the announcement by the Commerce Department yesterday of a surprising slump in housing starts in May.

Money markets, Page 35; Stock markets, Page 42

U.S. set for long wait over hijack hostages

By Reginald Dale in Washington and Tony Walker and Nora Boustany in Beirut

THE U.S. Government was yesterday resigning itself to the possibility of a long ordeal over the 30 to 40 American hostages still held in Beirut after Friday's hijacking of a TWA airliner by Shia terrorists.

The hijackers are demanding the release of more than 700 Shias held in an Israeli jail. Mr Nabih Berri, leader of Amal, the Shia militia, appealed yesterday to the U.S. to put pressure on Israel to end the crisis.

In Jerusalem it was again stressed that only a direct appeal from Washington would lead Israel to consider releasing the prisoners.

The White House welcomed yesterday's release of three of the captives, including two Americans, by Mr Berri who has assumed responsibility for the hostages. But in some of the strongest language it has yet used, it condemned the piecemeal nature of the release as "uncivilised behavior in its worst form."

Mr Larry Speakes, the White House spokesman, repeated that Washington was not asking Israel to free the Shia prisoners. He also denied reports that the U.S. had asked the International Red Cross to negotiate with Israel for the prisoners' release.

Asked if he foresaw the crisis dragging on for a long time, Mr Robert McFarlane, Mr Reagan's national security adviser, replied: "I am afraid that is right." Mr Berri had earlier said that the remaining hostages could be freed in 24 hours if the U.S. put pressure on Israel to liberate the Shia detainees.

Mr Berri complained yesterday that Washington had said and done nothing to facilitate the release of the hostages. He accused the U.S. of being unprepared to exert pressure on Israel.

As he spoke, American warships, including the aircraft carrier Nimitz, moved into East Mediterranean waters off the coast of Lebanon.

Mr Berri has threatened to abandon the American passengers to the hijackers if no progress is made in negotiations for the release of the Lebanese Shias held in Israel.

The Shia leader accused Israel of violating the Geneva Convention by moving prisoners of war from southern Lebanon across the international border. The move was criticised when it took place in April

Continued on Page 16

Israel's self-inflicted crisis, Page 4

Philips seeks tough action against Japan

BY GUY DE JONQUIERES IN LONDON

PHILIPS, the large Dutch electrical and electronics group, yesterday called for tougher European trade measures against what it claimed was Japan's goal of attaining a "monopoly position" in some high-technology products, notably consumer electronics.

Mr Gerrit Jeelof, executive vice-president of Philips, told the Financial Times World Electronics Conference in London that in certain sectors where Japan competed unfairly, the EEC should insist that more than 60 per cent of the value of products sold in Europe was added locally.

His proposal immediately drew fire from Mr Jacques Stern, chairman of Bull, the state-owned French computer company, who said it was essential for the health of European industry that Europe's markets be open to outside competition.

"I am not in favour of any protectionism," Mr Stern said. "It could give the illusion that it would help European industry in the short term but would condemn it in the long term. I am for an open market with free competition."

Mr Jeelof said that, in consumer electronics, Japanese exports to the EEC were 385 times larger than its imports from the EEC. Defensive action must be taken against a Japanese "invasion" which aimed at creating "selective monopolies" and threatened the survival of important parts of the European electronics industry.

"One way of achieving this is to ensure that in strategically important sectors where Japan pursues a policy of one-way traffic, a sufficiently large share of the European market is for goods with a 'Made in Europe' label," Mr Jeelof said.

"This label must only be awarded to products with a locally added value of over 60 per cent," he said. Japanese-owned plants in Europe could be included, provided they met local content rules. That would help maintain employment in key sectors.

Existing Community rules do not specify precisely how much of a product's value has to be added locally to qualify as being of European origin, but the generally accepted yardstick is a minimum of 45 per cent.

Under strong pressure from Philips and the French Thomson group, the European Commission recently proposed and increase from 8 per cent to 14 per cent in the EEC tariff on video cassette recorders, at a cost to European consumers of about $500m a year.

Philips plans deal in China, Page 3; Conference report, Page 12

Britain attacks Brussels over pollution controls

BY ANDREW GOWERS IN PARIS

BRITAIN AND the European Commission clashed openly yesterday on the controversial question of pollution controls, in a foretaste of what is expected to be a full-scale EEC row over vehicle exhaust emission next week.

Mr Patrick Jenkin, Britain's Environment Secretary, accused Mr Stanley Clinton Davis, the UK's junior EEC commissioner responsible for transport and the environment, of paying insufficient attention to the views of industry in drawing up environmental legislation. Mr Clinton Davis immediately rejected the charge.

The sharp exchange, which Mr Jenkin said reflected a difference between the Commission's "authoritarian" view of environmental legislation and an approach based on consensus such as is practised by Britain and the Netherlands, formed part of a general policy discussion at a meeting of environment ministers from the 24 member states of the Organisation for Economic Cooperation and Development (OECD) in Paris.

But it comes against the background of a worsening dispute over controls of vehicle exhaust emissions between individual EEC states and the Commission, which is likely to reach a new peak at a meeting of Community environment ministers in Luxembourg on Monday. Mr William Waldegrave, the junior British Environment Minister, will be lobbying hard on the subject for the remaining two days of the meeting.

The argument stemmed from the Commission's announcement earlier this month of technical standards for vehicle emissions which are said by Britain, France and Italy to undermine an earlier compromise agreement on the subject reached by all EEC ministers.

Its outcome is of crucial importance for European car manufacturers in deciding whether to invest further in the development of so-called "lean burn" engines or to fit their vehicles with potentially costly three-way catalytic converters to

Continued on Page 16

Eanes tries to avert Portuguese election

BY OUR LISBON CORRESPONDENT

PRESIDENT Antonio Ramalho Eanes yesterday appealed to political parties to spare Portugal the cost of an early general election by supporting a new government to replace the collapsed coalition of Socialists and Social Democrats.

The President's message to parliament was a plea to the parties to reach a consensus that would ensure parliamentary support for a government with a programme aimed at tackling the country's most pressing problems and avoiding the upheaval of elections during the crucial approach to EEC entry in January.

President Eanes recognised that his attempt to avert a dissolution of parliament had only a narrow chance of success given that three of the country's four main parties had already called for a general election to resolve the crisis caused when the Social Democrats quit the two-year-old coalition on June 13.

The President's appeal for a political truce in the national interest closely echoes the position of the Socialist Party of Sr Mario Soares, the Prime Minister, who has defended calling a general election only as a last resort.

The President and Sr Soares, formerly bitter political rivals, now appear to share a common view that dissolving parliament two years early and only months before scheduled presidential and local government elections would launch the country into a protracted period of divisive campaigning and jeopardize implementing economic reforms essential to successful EEC membership.

The President's attempt at conciliation could result in agreement between the coalition parties to hold the Government together until after the presidential elections.

Goodrich to write off $365m in sweeping reorganisation

BY TERRY DODSWORTH IN NEW YORK

B. F. GOODRICH, the third largest U.S. tyre manufacturer, is to write off $365m as part of a sweeping reorganisation programme aimed at slashing plastics production and slimming down its industrial division.

Goodrich's move follows a number of similar projects at several other large U.S. companies, such as ITT, Textron and Beatrice. The main intention of these restructuring efforts has been to streamline companies around their strong points, while raising cash, improving operating performances and lifting their share prices through divestments.

One of the incentives for action at Goodrich may have been an embarrassing encounter last December with Mr Carl Icahn, the Wall Street investor, who forced the company to buy out his 5.5 per cent shareholding at a substantial premium – one of the most clear-cut examples of the much-criticised "greenmail" technique.

Since then, Goodrich has adopted certain anti-takeover devices, but its decision to restructure represents a more fundamental effort to make itself less vulnerable to share raiders.

Goodrich intends to sell about $500m of its assets during the reorganisation, Mr John Ong, chairman, said yesterday. Although Goodrich would emerge as a smaller company, it would also become "much more" profitable, he added, because these assets produced an operating loss last year of about $22m while generating a quarter of the group's sales.

The write-off will reduce by about a third Goodrich's net worth of a little over $1bn and cut equity per share to about $32 from $48 at the end of the first quarter of this year. In 1984, Goodrich made net profits of $67m on sales of $3.4bn, up from earnings of $10.3m on revenues of $3.2bn in 1983.

The main cuts are to occur in the group's polyvinyl chloride (pvc) division, with is claimed to be the world's largest manufacturer of pvc compounds. More than half of the $365m charge will be related to the write-downs in this sector, where resin capacity will be reduced by around 10 per cent by the shutdown of the facility in Long Beach, California.

Goodrich is also planning to sell its chemicals facility at Convent, Louisiana, where it makes a variety of products including pvc feedstock.

In the industrial division, the group is intending to sell its industrial construction and mining products activities, which were acquired in 1978. The tyre business is to be further streamlined in a way that will reduce assets employed in this sector by a quarter.

"Our pvc and tyre operations will become substantially more profitable when this restructuring is complete," Mr Ong added. "And with much of the cash we receive from divestments and from lower working capital requirements, we will be able to reduce debt and expand our more profitable businesses."

Goodyear sells gas pipelines, Page 17

CONTENTS

Soviet Union and U.S. to resume farm collaboration

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION and the U.S. are to resume agricultural co-operation after six years, Mr Daniel Amstutz, the U.S. Agriculture Under-secretary, said here yesterday.

The agreement to co-operate in the exchange of information, research and the application of technology does not cover grain sales. It does show, however, that the U.S. is keen to ensure that the Soviet Union remains a significant purchaser of its grain: it bought 20m tonnes last year.

Co-operation has been established on 20 topics in 1985-86. Each country will send 11 teams of scientists to the other, and the U.S. will receive more information on Soviet crops, "though not as much as we would like." Mr Amstutz said yesterday.

This does not necessarily mean greater warmth in relations between the superpowers which have worsened significantly since January. Yesterday's agreement is primarily the result of an initiative by President Ronald Reagan last year to increase bilateral co-operation in a number of limited areas.

Soviet grain purchases are expected to decrease over the next year because of a larger domestic harvest which the U.S. Department of Agriculture estimates will reach 195m tonnes this year compared to less than 175m tonnes in 1984. One agricultural specialist in Moscow said yesterday that the final figure might total about 200m tonnes.

Much will depend on the weather which is cool at present in the north of the country and very hot in the plains of Kazakhstan in the south.

Agriculture was heavily criticised by Mr Mikhail Gorbachev, the Soviet leader, in a speech last week in which he said that the return on capital investment in this sector—one-third of all Soviet capital investment—was very poor.

Europe aims for military high-tech collaboration

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE DEFENCE ministers of 13 European nations agreed in London yesterday to launch a co-operative research programme in five specific areas of advanced technology with military applications.

The areas selected by members of the Independent European Programme Group, the purpose of which is to promote European armaments co-operation, are: microelectronics; high strength lightweight materials; compound materials; image processing; and conventional warhead design. Projects will be funded jointly on a case by case basis.

Mr Jacob de Ruiter, the Dutch ministers and chairman of the group, said at a news conference that this was the first time that multinational defence research co-operation had been approached in such a thorough fashion.

Some 30 technological areas have been identified by the IEPG as fields for possible co-operation. The ministers have expressed firm determination to make further progress in this area, actively involving industrial companies, research establishments and governments, according to the communique issued after the 2-day meeting.

As a step in this direction, they have accepted a proposal by Mr Michael Heseltine, the British Defence Minister to host a conference in London of directors of national research and development establishments to discuss the more efficient use of European facilities and capabilities.

Clearly with an eye on the French-inspired Eureka programme for European technological co-operation in the civilian field, the ministers said that, in working out their technological programme, account should be taken of parallel developments in Europe.

The ministers also decided that, in future, all their meetings would take place at ministerial level, so as to keep up the momentum of European armaments co-operation. At the same time, they emphasised the need to strengthen the dialogue between Europe and the U.S.

IRI chief unrepentant on sale of subsidiary

By James Buxton in Rome and Alan Friedman in Milan

PROFESSOR Romano Prodi, chairman of the Italian state holding company IRI, said yesterday that he would carry on in his job despite the "deep wound" IRI has suffered in the affair concerning the privatisation of its subsidiary, SME.

"I am going to press on," he said. "I am not resigning because in the end you have to see who wins. Victory means the defence of IRI's strategy to sell its subsidiary in the most correct and transparent way possible."

His position as chairman of the vast holding company, which last year had sales of more than £15bn, has been threatened in the past few weeks by humiliating reverses in the attempt to sell off SME, a holding company for IRI's interests in the food industry.

In late April, Sig Prodi agreed to sell SME to Buitoni, a private sector foods group controlled by Sig Carlo de Benedetti, for L497bn (£200m) But the deal ran into serious political opposition and was never ratified by the Government. Instead counter offers were reiceved offering more money than Buitoni and an informal auction began which Sig Prodi was powerless to stop.

Finally last week, IRI recommended to Sig Clelio Darida, Minister of State Shareholdings, that he accept the Buitoni offer. But the Minister replied by scrapping the deadline that had been set and telling IRI to start considering bids all over again.

It was confirmed yesterday that Buitoni has instructed its lawyers to take legal action in an effort to compel IRI to honour its agreement. The action could come before magistrates in the next few days. Buitoni has the option of suing IRI for damages if the agreement is not honoured.

Sig Darida yesterday attended the start of a large conference called by Sig Prodi to review the general state of IRI. He said he had the utmost confidence in Sig Prodi who had acted correctly.

He blamed what had happened on the novelty of the situation and on the contradictory nature of the rules on privatisation.

Prospects fade for EEC treaty conference

BY QUENTIN PEEL IN LUXEMBOURG

PROSPECTS FOR a full-scale EEC inter-governmental conference to amend the Treaty of Rome, and lay the groundwork for a closer European union, were fading rapidly yesterday after talks among Community foreign ministers.

There was a growing consensus that the EEC heads of government meeting in Milan next week should agree on a mini-treaty or protocol to step up their political co-operation and co-ordination of foreign policy.

The British initiative for the EEC summit to take firm decisions on more majority voting, a deadline for completing the common market by 1990, and a formal framework for political co-operation—but without amending the Community's founding treaty—gained ground at the latest Council of Ministers' meeting here.

The plan was spelt out in greater detail by Sir Geoffrey Howe, the UK Foreign Secretary, with the promise that British "pragmatism" should be linked with "the idealism that is necessary to take the important step forward for the future of Europe."

The British plan still stops short of giving full legal substance to any decisions from Milan, except on the question of political co-operation, on which the UK is ready to approve a protocol for legal instruments. This would both establish a secretariat to co-ordinate foreign policy consultation by the member states, and amount to a binding agreement by the EEC members to consult each other before undertaking national initiatives.

Other foreign ministers, including Herr Hans Dietrich Genscher of West Germany and M Roland Dumas of France, stressed the need for "concrete decisions" to be taken at Milan. While neither flatly excluded a full-scale conference being called, both hinted that it might be premature.

M Dumas said the summit could give a mandate to EEC foreign ministers to draw up detailed proposals on the question of Community decision-making, the role of the European Parliament, and specifically how to complete the internal market and develop a "technological community." The Luxembourg summit in December would then take final decisions.

The British proposals would, among other things, seek to restrict the use of the Luxembourg compromise, which provides an effective power of national veto over Community decisions, and to extend the areas for majority voting. The latter would be done by the heads of government reaching a political agreement not to insist on unanimity on specific decisions, where they had agreed at the summit level on a general goal — such as the completion of the internal markets by 1990.

● The foreign ministers considered for the first time the approach by Comecon to reopen talks on a general agreement for closer co-operation. They instructed the Commission to investigate whether such talks could be carried out without jeopardising current relations between the EEC and individual members of Comecon.

Church-state relations improve in Poland

BY CHRISTOPHER BOBINSKI IN WARSAW

CARDINAL JOZEF CLEMP, and General Wojciech Jaruzelski met for the first time since January 1984, in the most public sign that church and state in Poland are back on speaking terms after the vicissitudes of the Popieluszko trial.

Relations reached a nadir after the murder last October of Fr Jerzq Popieluszko, the pro-Solidarity priest, and the subsequent trial of his security police killers which saw sustained attacks on the church for allegedly playing too large a role in politics.

At yesterday's four-hour meeting, Gen Jaruzelski is likely to have pressed the cardinal to rein in his politically-outspoken younger clergy. The latter will no doubt have raised issues such as the planned restriction of university autonomy and the recently-ended trial of three Solidarity leaders. One of the three, Mr Adam Michnik, has smuggled a protest letter out of prison where he is starting a three-year sentence for illegal union activities.

The meeting opens what the authorities hope will be a conciliatory period in internal politics in the run-up to the October 13 parliamentary elections. The Solidarity underground has given every sign that it intends to call for a boycott, and the Government feels it needs church neutrality and a relatively settled population to achieve the voter turnout of more than 80 per cent which it wants.

The church, for its part, still wants final Government permission for its scheme to funnel Western aid into agriculture.

The official organisation representing farmers (CZKIOR), meanwhile, is holding a two-day meeting in Warsaw in support of a 23 per cent average rise in procurement prices from July 1, after rejecting the Government's 10 per cent offer. It is demanding that its position be published in the Press and has told its leaders to press the price demand at a forthcoming meeting of the Communist party's politburo.

The CZKIOR wants prices of machinery and equipment frozen while a new price agreement is negotiated.

Mr Stanislaw Zieba, the Agriculture Minister, appealed at the meetitng for the farmers to be "responsible" but admitted that the 10 per cent rise will cover little more than the growth in the cost of production over the past 12 months.

Romania seeks loan of $150m

By Peter Montagnon
Euromarkets Correspondent

ROMANIA has approached its main bank creditors for a $150m (£125m) two-to-three-year loan, its first significant borrowing in the Euromarkets since 1980.

The approach marks an open reversal of President Nicolae Ceausescu's previous determination not to borrow from Western banks. But it was made necessary by strains on the country's foreign exchange cash flow as a result of this year's hard winter.

Bankers say that there is no current risk that Romania, which faces debt service charges this year of $2.2bn, will have to undertake another rescheduling of its $8bn foreign debt.

Romania last rescheduled in 1983, but managed to avoid a repeat exercise last year, largely by dint of a draconian austerity policy.

However, the winter remained severe until April this year, necessitating extra fuel imports and delaying exports as well as plantings for this year's grain harvest.

Last month this forced Romania to obtain an $80m short-term bridging loan from four major banks — Barclays, Deutsche, Manufacturers Hanover, and Union Bank of Switzerland.

In addition to these four, it is now turning to other banks on its advisory committee of leading creditors for the $150m operation.

These are Bank of America, Banque Naionale de Paris, Crédit Lyonnais, Lloyds and Société Générale. There is some prospect that once terms are agreed, the loan might be put out for limited general syndication with other institutions.

Also, Mr Alan Whittome, Director of the International Monetary Fund's European Department, is to visit Romania next week. He is expected to discuss Romania's need for further IMF assistance, but it is not yet clear whether Romania will seek a further IMF programme.

Drawings on Romania's previous IMF programme were quietly abandoned by mutual agreement last year after disagreements over exchange rate policy, with Romania saying it wanted to allow its currency, the leu, to appreciate.

Paul Betts examines an experiment at the Rospo Mare field

Elf tries new slant on oil drilling

JUST OUT of view of the Pescara marina, about 15 miles out in the Adriatic, Elf Aquitaine has been conducting an unusual experiment in oil drilling which is being observed with growing interest by other international oil companies.

The French state-controlled oil group is testing a novel technique known as horizontal drilling on its large Italian offshore oil field of Rospo Mare. Instead of drilling in the conventional vertical fashion, Elf is trying to do the opposite. After starting vertically, Elf has gradually turned the drill under the seabed to make an angle of 90 degrees, enabling it to enter horizontally inside the oil deposit. It has managed to drill as much as 600 metres horizontally in the oil reservoir using this technique.

"We believe we are the first people to have successfully completed a horizontal well and we now intend to go into full production using this technique at Rospo Mare," said M Jacques Bosio, Elf's deputy research manager who has been one of the main forces behind the technique's development. He acknowledged that other companies and countries have experimented with horizontal drilling, and some before Elf, but so far none have made it work.

The stakes in Italy for Elf are now high. It plans to invest L170bn (£68m) in drilling initially four horizontal wells at Rospo Mare and production is due to start at the end of next year or early 1987. If the venture is a success, Elf and its Italian partner, Agip, could extend the development to four additional horizonal wells.

"One of the principal interests of the Rospo Mare venture for Elf is that, if successful, it could turn our Italian operations into a showcase for our group's horizontal drilling technology and production of heavy crudes," said M Jean-Claude Vauchez, Elf Italiana's managing director.

The Rospo Mare discovery was made in 1975, but Elf only decided last year to go ahead with development of the field. There is a large accumulation of oil—Elf says there is definitely 30m tonnes in place and the figure could go up to 180m-200m tonnes—but the crude is heavy, thick 11 degrees API and difficult to extract because of the nature of the deposit.

One of the main problems has been waterflooding. "If we drilled the conventional vertical way the water under the oil deposit would rapidly flood the well. Using the horizontal system we can keep the water at bay for longer and extract more oil," M Bosio said.

Horizontal drilling is more expensive than vertical drilling, but the recovery rate is much higher. "At first people thought it would cost 10 times more to drill horizontally; but we have now been able to bring the costs down to about three times more than a vertical well. As long as the horizontal well produces four or five times more than the conventional well, it

has more than paid for itself," M Bosio said.

Elf, which after Agip is the largest oil explorer and producer in Italy, claims it can make a tidy profit from its Italian heavy crude production by selling it for the Italian tarmac market. "At $21 a barrel, Rospo is profitable, and we are now getting nearer $23 a barrel," said M Vauchez.

The French company has now restructured its operations in Italy, selling its network of 700 petrol stations and centering activities around its Adriatic oil and gas production. It maintains a number of specialised oil product market niches including the sale of tarmac, aircraft fuel, motor oils and heating fuels, among other products.

The petrol station network, like those of other oil companies, had been losing "several billion lire," according to M Vauchez. "We were lucky because an Italian independent who had seen his exports decline was looking for a domestic network to place the output from his refinery."

Elf also sold to Agip a 10 per cent stake in the Vega offshore field in Sicily. As it was not an operator in Sicily, Elf preferred to concentrate its efforts and risks on Rospo Mare. It has no regrets about the decision.

Production at Vega was due to start originally in the middle of next year but a series of problems, including Sicily's insistence that the platform be built on the island and not on the Italian mainland, are now expected to delay production until 1987 if not 1988, according to Italian oil industry sources in Rome. "We will now be producing at Rospo Mare before Vega in Sicily," M Vauchez said.

However, Elf has already fixed its sights well beyond the Italian peninsula. It has formed a company called Horwell with the French Petroleum Institute to market the horizontal drilling technique.

A few of the big international oil companies are unlikely to turn to Elf for technical advice, preferring to do their own research, but a number of companies have shown an interest.

"We have done a horizontal well for Sohio in Texas," M Bosio said, and suggested that Sohio, in which BP has a controlling stake, was also considering the possibility of applying the horizontal drilling technique in Alaska. "Even the Chinese are interested. We are due to drill a horizontal well for them in July," M Bosio said.

Unrest in Spanish police

BY DAVID WHITE IN MADRID

THE HEAD of Spain's national police in the Basque region is reported to have tendered his resignation, in the latest stage of a long-running conflict over reorganisation of the police force.

The reported move by Lieutenant-Colonel Paulino Garcia Diez and several other senior officers seconded from the army to the police, comes during a resurgence of violence in the region, in which the National Police has been the prime target of shootings and bombings by the ETA separatist organisation.

A member of the Civil Guard, a paramilitary force separate from the National Police, was shot dead yesterday at Santurce

The latest bout of unrest was provoked by the publication of measures by the Interior Ministry setting up a new internal organisation in the 50,000-strong National Police. Although officially a civilian force, it includes almost 300 army officers. The new organisation keeps military officers in their posts but places them under chiefs of the plain-clothes superior police corps.

The two forces are due to be merged by the end of next year under a plan by the Socialist Government to "demilitarise" the National Police.

Gibraltar yard at risk

BY JOSEPH GARCIA IN GIBRALTAR

THE NEW Gibraltar commercial shiprepair yard Gibrepair is "losing money heavily" and if the present rate of loss continues "the company could go out of business before the end of next year," its managing director, Mr Brian Abbott, says.

The company was created with £28m of British aid to replace the old naval dockyard which closed at the end of last year.

In its first three months of operation, the company had spent about half the aid money, which was made available for refurbishment and to meet running costs as necessary in its early years of operation. Britain has also guaranteed £14m-worth of naval contracts.

In a letter to the workforce, Mr Abbott says poor productivity is one of the reasons why the company is losing money. He adds that productivity, which has been improving, is still below the level other yards regard as normal.

The company states that it cannot afford a pay claim by the local branch of the Transport and General Workers Union, saying its hourly rates are already the highest in Gibraltar.

Gibrepair wants to employ more workers to reduce overtime levels, described as "too high." It is trying to recruit workers in Britain and Spain, but there is union opposition to Spanish workers being taken on.

Police search Ambrosiano director's homes

By Our Milan Correspondent

MILAN MAGISTRATES investigating the 1982 collapse of Banco Ambrosiano have ordered a police search of the houses and offices of Sig Luigi Lucchini, president of the Confindustria employers' association. The search by the Guardia di Finanza, or fiscal police, was carried out because of suspicions that the 66-year-old Sig Lucchini might have illegal foreign exchange holdings outside Italy.

The magistrates visited the Bahamas recently as part of their investigation of the overseas network of Banco Ambrosiano. It is not known whether this visit was related to the investigation of Sig Lucchini. He was a shareholder in the failed bank and a director of La Centrale, the Ambrosiano financial subsidiary.

On Sunday night and Monday morning Italy's fiscal police entered and searched Sig Lucchini's home in Brescia, the home of his son also in Brescia, the offices of his steel company in Brescia, his offices at Confindustria in Rome and his holiday homes at Sanremo and Cortina. Sig Lucchini's reaction to the searches was "surprise and astonishment." The Confindustia president, who has played a key role in negotiations over the Scala Mobile wage indexation said he had "a clear conscience."

Norwegian oil platform strike called off

By Fay Gjester in Oslo

A STRIKE by production workers on Norwegian offshore platforms was called off late on Monday, after only three hours, when it was ruled illegal by Norway's labour court. The court said the OFS union had failed to give employers 14 days strike notice.

The stoppage—which OFS had planned to last 12 hours—was in support of a drilling rig strike by members of an affiliated union, ROF. Because it hit production rather than exploration, its consequences for Norway's economy were more serious and immediate than the drill rig strike.

Malta alters policy on Europe

BY GODFREY GRIMA IN VALETTA

THE NEW Maltese Government of Dr Carmelo Mifsud Bonnici is to take a radically different attitude towards Western Europe to that adopted by Mr Dom Mintoff, who stepped down as Prime Minister last December.

In a statement delivered last night to the island's 65-member House of Representatives, Dr Mifsud Bonnici said a new chapter in Malta's relations with Europe was being inaugurated. An era, often marked by constant wrangling, was considered ended. As a result, Malta plans immediately to revive its participation in European institutions.

Malta's many disputes with West European countries, notably with Britain and Italy, and with the EEC, often showed the island to be drifting farther from its traditional military and political allies—and now its major trading partners, particularly since the British military bases on the island were closed in 1979.

Shortly after taking office, Dr Mifsud Bonnici launched his own personal diplomatic initiatives to help restore the country's strained relations with Europe. In May, he said in an interview that he would welcome the signing of economic and co-operation accords with Italy and the United States to balance treaties the island shares with the Soviet Union and Libya.

To cut short a long dispute with the EEC over a second financial aid package, Dr Mifsud Bonnici recently accepted a compromise offered by Community ministers which increased the offer to Ecu 29.5m (£17m) of which Ecu 10.5m is being offered as a grant.

Yesterday he welcomed a decision by the European Parliament urging Community ministers to view more sympathetically Maltese demands for aid needed for infrastructure schemes.

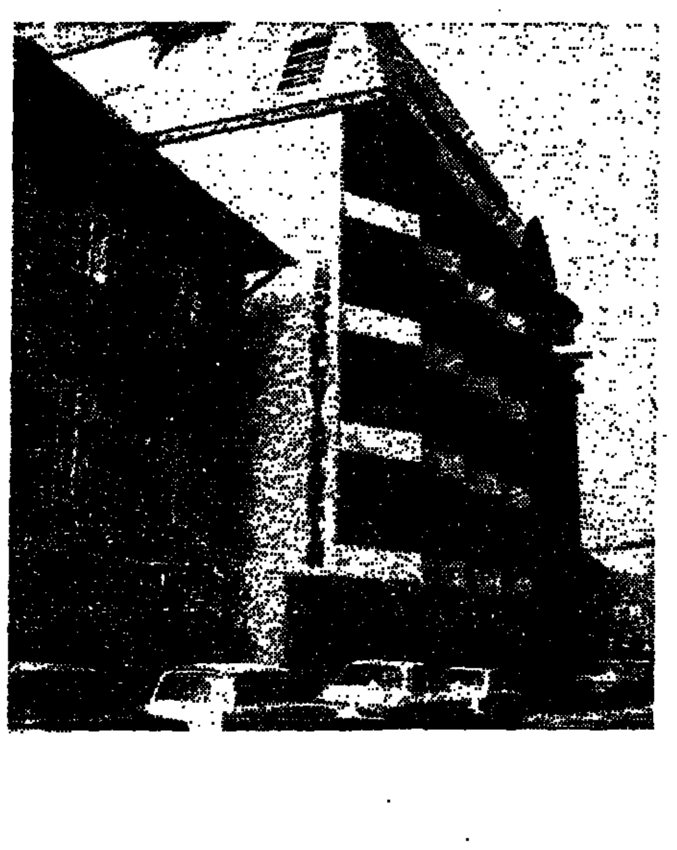
The Prime Minister has made clear, however, that increased links with Western Europe in no way detracted from Malta's commitment to remain neutral and non-aligned.

Swiss likely to abstain on bank vote

By John Wicks in Zurich

THE Swiss Government has indicated openly that it intends to abstain from voting on an OECD roposal to remove banking secrecy protection in the tax sector. Dr Otto Stich, the Financial Minister, says there can be "no question" of Switzerland agreeing to the recommendation which also foresees the international exchange of fiscal information.

He told Parliament that a Swiss veto would "block the work of the OECD fiscal committee." Althcugh he declined to disclose exactly what moves the Government will take, he specificaly mentioned the possibility of abstention. An abstaining member country would not be bound by what was in any case only a recommendation, he said.



● The pioneering Victoria Hotel in Budapest (left). Picture by MTI

Grand designs of Hungary's small hotelier

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

"WHAT I WANT now for my hotel guests is a yacht port over there," Mr Zoltan Palmai says, gesturing in the direction of the nearby Danube, "and a heliport just here," pointing to a vacant lot beside his newly finished Victoria Hotel, the first medium-sized private hotel to be opened in Eastern Europe since the War.

Quite why the rich of the world should want to sail their yachts or fly their helicopters to Budapest just to stay in his modest, $36 a night hostelry, Mr Palmai does not convincingly explain. But the new economic reforms in Hungary have brought forth enterpreneurial pioneers, and Mr Palmai has all the dogged optimism, and eccentricity, of that breed.

Five years ago he left secure employment as a chemical equipment buyer for the Hungarian state, and has since sunk Forints 32m (nearly £500,000) of his savings and those of a few other individuals into building the six-storey, 60-room hotel, on the Buda bank of the Danube. The hotel opened last December 26, and after a slow start (occupancy in January and February was 35-40 per cent), custom has picked up. Besides his family, Mr Palmai employs seven people, within the law which permits a maximum of nine non-family employees in a private business.

But it is, as the American aphorism has it, the pioneers that get all the arrows, and Mr Palmai is no exception. He obtained a private trading licence back in 1980, but had to cool his heels for three years to gain a building permit, until he hired a special building brigade from the Protestant church to side-step the state. Refused a loan from the state savings bank—on political grounds, he believes—he had to advertise for private capital and found 14 other people interested in investing in his hotel.

He says other obstacles have been laid in his path. He is, like many Hungarians, keenest on hard-currency-paying Westerners for his customers, and although most of his clientele are Austrian or West German, he has had guests from as far afield as Australia, Brazil and Japan. But he is fighting the requirement that he must deal with foreign travel agencies through Hungarian state agencies. This, he complains, means paying double commission.

From the national bank he has won the right to change hard currency in his hotel, but not yet the right to sign contracts with Western travel agents in order to gain the custom of tourist bus groups.

Perhaps his biggest disappointment so far is the Budapest authorities' refusal to allow him to use the lounge and glass-bottomed swimming pool at the top of the Victoria for a nudist club. Nudism, he says, is popular in Hungary and something to capitalise on. Still, the yachtport and heliport have now taken the nudist club's place in the dauntless Mr Palmai's imagination, as he dreams his version of the promised land—a string of private hotels across Hungary.

Budapest to seek $1bn in foreign loans this year

BY OUR EAST EUROPE CORRESPONDENT

HUNGARY WILL borrow around $1bn on the international capital markets this year, Dr Matyas Timar, governor of its national bank, said yesterday, confirming that the country, which was the largest single borrower in Comecon last year, will be equally active financially this year.

Dr Timar said that by the end of May Hungary was still running a trade deficit with the non-Communist world. But it also earns some hard currency selling food to the Soviet Union, and Budapest officials are hoping to end the year with a modest improvement on last year's hard currency trade surplus of $600m.

The bank governor said he was unsure whether the target of reducing the country's net debt, which stood at $4.5bn last December, by a $300m could be met. However, he said reserves now totalled $2.5bn, higher than any point in the early 1980s.

The chief aim of fresh borrowing, Dr Timar said, was to improve the structure of the debt by obtaining longer maturities and to further build up reserves. Hungary is, in fact, well on its way to its 1985 borrowing goal, having borrowed $300m so far this year in a co-financing operation with the World Bank and an additional $120m credit.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY, and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Conference on human rights ends in deadlock

BY BERNARD SIMON IN TORONTO

THE FUTURE of East-West human rights negotiations has been clouded by the almost total deadlock of a six-week conference in Ottawa to discuss implementation of the 1975 Helsinki Accords.

The 35 nation conference ended this week amid deep disagreements between Soviet and Western delegates on the extent to which human rights violations behind the Iron Curtain should be monitored by outsiders or by the inhabitants of those countries.

No final report was issued after Soviet delegates rejected a compromise proposal by neutral European countries that participants should consider holding further discussions on the same subject at a future date. Western countries earlier refused to support a Soviet sponsored communique focusing on unemployment and racism in the West. At the insistence of the Eastern bloc, the conference was held behind closed doors.

Several countries warned at the close of proceedings that the failure of the Ottawa conference could jeopardise the success of other meetings. Mr Richard Schifter, the chief U.S. delegate, linked Moscow's human rights performance to improved relations in other spheres, including progress at the Geneva arms talks.

Known formally as the Conference on Security and Co-operation in Europe, the meeting of experts was intended to lay the groundwork for a ministerial review of the human rights elements of the Helsinki agreement in Vienna next year. Under the Helsinki Accords, 33 European countries, the U.S. and Canada, have pledged to protect the fundamental rights of their citizens.

After the failure of the Ottawa meeting, prospects for the Vienna conference hinge on the success of forthcoming discussions in Berne and Budapest on East-West human (immigration and family visits) and cultural contacts.

Signatories to the Helsinki accords are due to meet on the 10th anniversary of the agreement in Helsinki in August when progress on confidence building measures will be discussed.

Soviet bloc delegates in Ottawa were apparently angered by Western tactics of using the conference to scrutinise a wide range of specific human rights violations in Eastern Europe, particularly in the Soviet Union. Western delegates leaked their speeches to the media and the U.S. released lengthy lists of victims of Soviet harassment. The Eastern Europeans accused the U.S. of interfering in their domestic affairs while ignoring international peace issues.

Argentine bridging loan agreed

By Peter Montagnon

ARGENTINA completed arrangements with the U.S. and 11 other countries for a \$483m (£383m) bridging loan to help meet overdue interest payments on its \$48bn foreign debt, the U.S. Treasury announced in Washington yesterday.

A first disbursement of \$240m is expected today and the remainder early next week when Argentina will begin a fresh round of interest payments designed to bring its arrears within the sensitive 90-day level.

Bankers said yesterday that Argentina has not yet decided how much interest it will pay to bank creditors. Some of the bridging loan may be used to top up its reserves after an interest payment of \$250m made last week.

The amount of the payment is to be negotiated with the Citibank-chaired committee of leading creditor banks starting in New York tomorrow.

Other countries besides the U.S. that contributed to the bridging loan are: Austria, Belgium, Brazil, Canada, Denmark, France, Italy, Japan, Mexico, Spain and Venezuela. The funds will be reimbursed in two stages when Argentina starts drawing again on its International Monetary Fund facility

Gloomy outlook for annual budget battle

BY STEWART FLEMING, U.S. ECONOMICS CORRESPONDENT IN WASHINGTON

A DECADE ago, an embattled President Richard Nixon and an assertive Congress laid the foundations for what was touted as the beginning of a new era of fiscal responsibility in the United States.

Today there are no hats flying on Capitol Hill to celebrate the 10th anniversary of the 1974 Congressional Budget and Impoundment Control Act, the blueprint for the federal Government's budget-making process.

The Act, which was designed in part to reassert Congress's traditional power of the purse, established the Senate and House budget committees and a budget-making timetable on Capitol Hill, albeit one which has rarely been strictly applied. It forced Congress to focus for the first time on the broad macro-economic impact of federal fiscal policy; by creating procedures for setting limits on overall spending levels, it brought some discipline to the annual budget battle.

As budget deficits of more than \$200bn (£157.4bn) a year demonstrate, not only has the process manifestly failed to deliver the fiscal responsibility its sponsors hoped for, but Capitol Hill's budget makers have begun to question whether the progress on cutting the deficit which they were hoping for a month ago will now materialise.

Mr David Stockman, President Reagan's director of the Office of Management and Budget, voiced doubts about where the budget debate might be leading this year at a conference on the budget process sponsored by the American Enterprise Institute in Washington on Monday. He described the prospects for the emergence of a consensus which would produce a deficit of less than 1 per cent of gross national product by the end of the decade as "dim indeed."

It is a judgment echoed by Mr Leon Panetta, a California Congressman recognised as one of Capitol Hill's experts on the Budget. "If you are serious about getting the deficit down in three years' time you need \$75bn in cuts and revenues" in the 1986 Budget, not the \$50bn which the conference committee of members of the House and Senate began debating again yesterday.

Mr Trent Lott, the Mississippi Congressman, who as minority whip is one of a group of powerful young Republican right-ringers in the House, adds that even the \$50bn of cuts which the conference committee is debating is illusory. In reality, the reductions in the budget deficit which seem likely to be approved amount to nearer \$35bn for 1986.

Optimistic economic assumptions, exaggerated claims for what is being cut out of the defence budget, accounting changes and the inclusion of savings which few expect to be realised, help to explain the difference.

US ECONOMIC DIARY

Mr Stockman has also put the budget outlook into a gloomy longer-term perspective. He started with the Senate budget proposals, which claim to reduce the deficit to around \$104bn by 1988; but he applied the consensus forecast of private economists compiled by blue-chip economic indicators as the projected growth path for the economy rather than the optimistic 4 per cent real rise in GNP assumed by the Administration.

On this basis, Mr Stockman has warned that the deficit in 1988 could still be \$175bn even if this year's budget-cutting package is approved. The same calculation would yield even bigger deficits if the house version of the budget resolution were used.

Mr Stockman maintains that you cannot blame the budget-making process established in 1974 for what has happened. He sees the 1970s, when the process came into operation, as an era when the Government had money to give to constituents: income tax bracket creep was keeping government revenues up, real interest rates were low and nominal rates were at times even lower than the rate of inflation, defence spending was declining as a share of gross product in the post-Vietnam era and the deficit at the beginning of the decade was small, only \$6.1bn or four-tenths of 1 per cent of GNP in 1970.

Today, however, budget cuts require Congress and the White House to take away resources from political constituencies and the Budget process is not strong enough to do that. It requires political will, according to Mr Stockman.

In May the President made his gesture towards fostering that political will by surrendering any growth in real terms of the defence budget in 1986 in order to get the Senate budget resolution (narrowly) approved. Since then, however, the political battle lines have been more firmly drawn.

The White House is not prepared to concede the time has some to raise taxes to reduce the deficit: the House Democrats are not ready to endorse a reduction in the growth of the social security budget and the Senate has gone as far as a majority of its members want in cutting defence.

Even the concession on defence spending was largely a reaction by Washington to the mounting evidence that the public was outraged at the evidence of waste in the Defence Department and exploitation of the taxpawer by the defence industry. "The public understood a \$600 toilet seat," says Mr Panetta.

Public perceptions of the budget issue, however, have not changed radically. "There is no sense of crisis" back home, says Mr Panetta and Mr Lott confirms the judgment.

Mr Panetta argues that what is needed now to break the deadlock is a bi-partisan push on the budget issue which would provide Congressmen with the political cover against partisan attacks in forthcoming elections, and so permit them to endorse the cuts and tax increases now apparently needed to get the deficit moving firmly downward.

The weakening economy and the recession in the manufacturing sector and in agriculture may be the catalyst which could dramatically transform the political chemistry. Leaders of both the Republican and Democratic parties on Capitol Hill are hinting that they would not fight a move to raise taxes. The question is whether Mr Reagan is also preparing another budget surprise and is ready to endorse, not veto as he has threatened, a tax plan which would raise revenues rather than reduce them.

Reagan may have to veto Contra funds Bill

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE PLANS of President Ronald Reagan to resume U.S. aid to the anti-government Contra rebels in Nicaragua have run into a new obstacle on Capitol Hill. Ironically, it is Mr Reagan himself who has placed it there.

The funds for "humanitarian" aid to the Contras — \$27m (£21.4m) approved by the House and \$38m by the Senate — are contained in a \$13.5bn supplementary spending bill to pay for a whole range of government activities before the end of the financial year on September 30. Mr Reagan has now warne dthat he may be obliged to veto the entire Bill.

At issue is a long-running battle between the Administration and Congress over vote-catching water projects favoured by Senate and House members, particularly in their own districts. The House has approved \$72m for such schemes — which range from modest flood control projects to major dredging operations—while the Senate appropriations committee favours \$3m.

Sponsors of the water projects had hoped to sneak them through under cover of the supplementary Bill, believing that Mr Reagan would not veto the funds for the Contras for which he has fought so bitterly over the last three months.

The White House, however, is adamant that the water schemes must not be approved unless local governments pick up part of the cost, both now and in future. Mr Reagan used veto threats to force Congress to back down on a number of similar schemes last autumn.

Mr Robert Dole, the Senate republican majority leader, said that he was prepared to re-think the water schemes if the chairman of the appropriations committee, Sen Mark Hatfield of Oregon, agreed. Mr Hatfield, however, says that he is prepared to risk "confrontation" with the Administration over the projects, which include one of his own pet schemes in Oregon.

The funds for the Contras could be approved separately, but that could mean another hard-fought vote that the Administration would prefer to avoid. Its hope is that Congress will once again back down on the water projects.

Burt nominated as Bonn envoy

By Our U.S. Editor

PRESIDENT Ronald Reagan has officially nominated Mr Richard Burt, 38, Assistant Secretary of State for European and Canadian affairs, to succeed Mr Arthur Burns as U.S. ambassador to West Germany.

Mr Burt may, however, face difficulties over his nomination in the Senate, where conservative Republicans are contesting the State Department's choice of allegedly "liberal-leaning" career diplomats as ambassadors, instead of conservative political appointees.

Mr Burt's appointment to his current post was held up for many months by conservatives, who particularly disapproved of articles he wrote on national security in his previous job

Since then, he has become one of the Administration's most prominent arms control experts.

Treasury fines N.Y.C. banks

THE U.S. Treasury Department yesterday announced fines against four major New York City banks for failing to report thousands of large, international cash transactions in recent years, AP reports from Washington.

The civil penalties, all stemming from activity reported to the Government voluntarily by the banks in the wake of a criminal prosecution at the Bank of Boston, ranged from \$210,000 to \$360,000 (£285,700) and represented about a fourth of the maximum that could have been imposed.

Mr John Walker, Assistant Secretary for Enforcement said the Treasury had no evidence of criminal money laundering in connection with the fines detailed yesterday, although it did not preclude further criminal investigations and actions.

Businessman named to head Pentagon inquiry

BY OUR U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan has named businessman Mr David Packard, 72, a former deputy defence secretary and co-founder of Hewlett-Packard, to head an independent "blue ribbon" commission to examine Pentagon management and arms procurement problems.

The move was in response to continuing controversy over high prices charged by defence contractors and allegations of waste, fraud and inefficiency in Pentagon procurement. It was reported to have been bitterly resisted by Mr Caspar Weinberger, the Defence Secretary, who was said to view the commission's appointment as an implied criticism of his leadership and a threat to his authority.

Announcing the bipartisan body, Mr Reagan said that it would look into defence management, organisation and decision-making in weapons procurement and the role of Congress in overseeing the procurement process. He hoped that it would lead to a "blueprint for action" to improve the armed forces' peacetime and combat effectiveness.

Waste and fraud by defence contractors was "more than a rip-off of the tax-payers," it was a blow to the U.S.'s national security, he said. Mr Reagan is also only too aware that the continuing scandals over such items as the \$659 (£523) ashtray and the \$640 toilet seat cover have undermined public support for his efforts to increase defence spending and maintain his strategic build-up.

Accepting the tasks, Mr Packard went out of his way at the brief White House ceremony to reassure a grim-looking Mr Weinberger that his fears were unjustified. He promised "a real team effort," and praised Mr Weinberger for his "outstanding work" over the past 4½ years.

OVERSEAS NEWS

David Lennon examines a result of Jerusalem's 'iron fist' policy

Israel's self-inflicted Shi'ite crisis

THE HUNDRED'S of Lebanese Shi'ite Moslems held in Israel, whose release is the central demand of the hijackers of the TWA aircraft, constitute a self-inflicted headache for Israel. It *had planned to release them* but cannot now do so for fear of this being seen as a capitulation to blackmail.

"These Shi'ite detainees were scheduled to be released and will be released. It is only a matter of time," an Israeli official stressed yesterday. But, he *added:* "I do not want to make any link between this and the hostage situation."

The prisoners also symbolise the confusion which has surrounded Israel's policy towards the Shi'ites with whom, it belatedly recognised, it must develop a dialogue if it wants to ensure peace on its northern borders.

Most of the 766 Shi'ites still held were detained during the final months of the major Israeli *presence in southern Lebanon.* This was the period of the "iron fist" policy when the Israeli troops carried out punitive raids against Shi'ite villages in *an attempt to curb the level of* attacks on the retreating forces.

Israel swept up almost 2,000 people, mainly Shi'ites, who its spokesman said, "took an active part in *terrorist activities* against Israel." They were incarcerated without trial in the Israeli-built detention camp at Ansar, 13 kilometres east of Tyre *in southern Lebanon.*

Ansar was closed on April 3 in anticipation of Israel's withdrawal from that area. About 750 prisoners were freed and *the other 1,200 or so transferred* to Atlit prison in northern Israel.

This transfer was condemned internationally as being contrary *to the fourth Geneva convention* and, domestically, as hardly likely to help in attempts to establish a dialogue with the Shi'ite leadership.

The emergence of the Shi'ites as the new power in southern Lebanon has caught Israel unprepared politically as well as militarily. The belated *attempts* to develop political contacts with prominent Shi'ites such as Mr Nabih Berri, the leader of the Amal militia and Minister for Southern Lebanon, *proved fruitless.*

Mr Uri Lubrani, the co-ordinator of Israel's policy in southern Lebanon, said recently that Israel had tried to *establish relations with the* Shi'ites but, due to internal strife in the Shi'ite community, "there is no address to call on."

If there had been a response, Israel *would* have been willing to "hand them the keys to the south," provided they guaranteed to prevent the area being used again by the PLO to launch *attacks against Israel.*

The massive arrests of Shi'ites in the south did nothing to enhance the prospects of success of these approaches. During May, Israel attempted to improve the atmosphere by releasing some 400 Amal members from Atlit in two batches.

At *the time it was explained* that this was aimed at strengthening the hand of the Amal militia in southern Lebanon, *which* had been trying to stop Palestinian fighters from returning to the area to use it as a staging ground for attacks on Israel.

This was widely *seen as a* gesture towards Mr Berri personally, as well as enabling Amal to replace some of its fighters who had been pulled out of the south to fight the Palestinians in West Beirut.

It was also in line with the stated policy of the military *which* had said the Shi'ites would be released alongside of the withdrawal and when security conditions in the south permitted.

Following the two earlier releases, Israel was about to free a further 300 detainees about 10 days ago, on the eve of the final stage of the military withdrawal from Lebanon. *but this* was cancelled at the last minute without explanation.

The Greek Socialist Government and Press rose up in arms yesterday against criticism of lax security measures following last Friday's successful hijacking at Athens airport of a TWA passenger jet, writes Andriana Ierodiaconou.

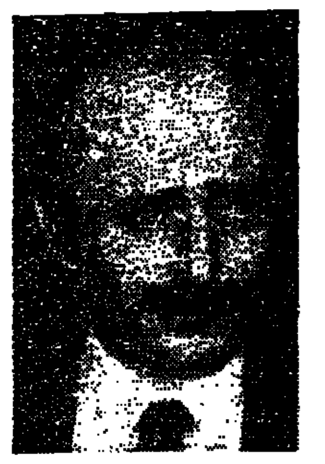
Mr Yiannis Charalambopoulos, the Greek Foreign Minister, angrily accused the U.S. of leading a worldwide "slander campaign" which is assuming the dimensions of a "true conspiracy"

"This kind of incident cannot be completely prevented. This has been proved in France and West Germany, without unleashing the kind of storm that has broken out against Greece," he said.

He warned that if criticism continued it would be bound to affect relations between Greece and the West.

The minister *also defended* Greek security as "the same as in other European countries" and said measures were followed "meticulously."

A rash of editorials and articles in the same vein appeared in yesterday's pro-government Press.



Walid Jumblatt . . . overseeing ceasefire

Fighting subsides in Palestinian camps

By Nora Boustany and Tony Walker in Beirut

THE LEBANESE and Syrian-sponsored agreement to halt fighting in and around Beirut's Palestinian refugee camps came into force yesterday as a special committee met to supervise the ceasefire.

The main points of the agreement are a general truce, withdrawal of Shi'ite Amal fighters and Lebanese soldiers from the perimeter of the camps, and the surrender of heavy weapons. tI also envisages a role for the Lebanese police in maintaining security at the camps.

The agreement was worked out in Damascus late on Monday between representatives of the Shi'ite Amal militia, pro-Syrian Palestinian factions and Syrian officials. The meeting was chaired by Mr Walid Jumblatt, Lebanon's Minister of Transport and Tourism.

The accord brought an uneasy calm to camps, the scene *of bloody fighting for the past* month. More than 600 people have been killed and over 2,000 wounded in the conflict.

The agreement, parts of which are ambiguous, especially in regard to who should collect the weapons and control th ecamps, leave Amal well short of its aim of ridding the camps of armed Palestinans.

Mr Nabih Berri, leader of the Amal militia, said a special committee *to oversee* security in the camps began meetings in Beirut yesterday in the presence of a Syrian observer. Mr Berri announced *that* rescue and humanitarian missions would start immediately.

Thousands of Palestinian families have been trapped in the camps and international relief workers have not been able to evacuate the wounded. The five-day old hijacking of an U.S. TWA airliner has completely overshadowed the Syrian-brokered accord to end the month-long "war of the camps."

Iran claims advances into Iraq

IRANIAN TROOPS launched a offensive in the north and continued to advance into Iraq's southern Howeizeh marshes, killing hundreds of Iraqi troops, the official Iranian news agency, IRNA, said, AP reports from Nicosia.

The attack was launched on Sunday night in the Marivan sector of the Iranian Kurdistan mountains at the northern end of the 1,200 km long battlefront, IRNA said.

The agency said 150 Iraqi troops were killed or wounded

The Iranian advance has pushed Iraqi troops back to the Tigris river with the Iranian forces poised 6 km from the strategic highway linking Basra and Baghdad, IRNA added.

There was no comment from Iraq on the Iranian claims.

Pretoria reviews monetary policy

BY JIM JONES IN JOHANNESBURG

SOUTH African exchange controls, introduced to stem the outflow of capital which followed the 1961 Sharpeville riots, are likely to be relaxed significantly if parliament accepts the recommendations of a high-level commission of inquiry into monetary policy headed by Dr Gerhard de Kock, Governor of the Reserve Bank.

The commission was established in 1977 and its recommendations will form the basis for fundamental changes to South Africa's monetary policies and monetary system.

The commission says the present system does not recognise the need for market-oriented policies, lacks a consistent approach to monetary aggregates and interest rates, and is weak in exchange rate and bank credit controls.

The De Kock Commission's report recommends that monetary policy be market-oriented rather than operate on a system of direct controls and that its fundamental aims ought to be to stabilise domestic prices and wages.

It says that although the authorities have been moving away from the direct monetary controls, which were introduced progressively in the 16 years up to 1980, there remains a need for clear exposition of intermediate targets — mainly control of monetary aggregates —*and operational variables* such as interest rates and the anticipated transmission mechanism.

Immediate and complete abolition of exchange controls cannot be recommended at present, the report says. It does, however, suggest that: restrictions on emigrants and residents be largely relaxed; the amount emigrants are allowed to take with them be doubled to a maximum of *R200,000;* and that residents and domestic insurance companies and institutions be allowed freely to make limitedl investments overseas.

This relaxation of exchange controls is expected to combine with greater freedom for local banks to deal in forward foreign exchange markets to create a situation in which the rand floats relatively freely with its external value determined by interest rate parities.

The commission recommends that the Reserve Bank should, for the first time, set intermediate targets for one or more *money supply aggregates,* though it adds that interest rates and exchange rates should not be totally subordinate to the achievement of money supply targets.

Nevertheless, the commission believes that interest rates should be allowed accurately to reflect changing degrees of tightness in financial markets.

South African N-plant back in operation

KOEBERG, South Africa's only nuclear reactor, is to resume operation today after being closed on February 21 for investigation of suspected flaws, writes our Johannesburg Staff.

The first unit of the French-built pressurised water reactor was brought into operation outside Cape *Town in March* 1984. It was closed in February when a routine inspection of the steel pipework of the second unit's cooling system was found to contain ferritic inclusions that might have been potential failure points.

Although Framatome, the French nuclear construction company, protested that the inclusions represented no risk to operations, Escom, the South African state-owned electricity utility, closed down the operating unit as a precautionary measure.

Mubarak holds first talks with Sudanese leaders

BY JOHN MURRAY BROWN IN KHARTOUM

PRESIDENT MUBARAK of Egypt held two hours of talks with Sudan's new leader, General Sowar Eddahab, in Khartoum on Monday, his first visit to Sudan since the April coup *which toppled former* President Jaffar Numeiri.

Government sources, said they discussed bilateral relations and matters of common interest.

No official request has been made by the Sudanese for the extradition of Numeiri from Egypt, where he has been since the coup. However, many of the political parties in Khartoum consider it a precondition to resumption of good relations with Egypt. In a brief statement to the press before leaving for Cairo, President Mubarak reaffirmed Egypt's long tradition of giving political asylum, without condition.

Recent relations between the *two countries have been cool.* Although Egypt was quick to congratulate the new Sudanese leadership on the success of the April coup, until now they had had no high level contact.

Relations have not been improved by Sudan's rapprochment with Colonel Gadaffi's Libya. Matters were made worse by the reported comments of Sudanese Prime Minister Dr Gizouli Dafalla that the accords with Egypt were "null and void."

Afghan rebels destroy jets

SABOTEURS DESTROYED about 20 jet fighters at Shindand, Moscow's largest and best protected airbase in Afghanistan, Western diplomats said yesterday, **Reuter reports from Islamabad.**

They said the planes—mostly *MiGs—belonged* to the Afghan air force and were destroyed on June 12.

Some aircraft *had* recently been moved to the airbase after other airbases came under increasingly heavy rocket fire from rebels, the diplomats added.

The diplomats said the Shindand attack, which resulted in the single largest loss of aircraft since Soviet troops entered Afghanistan in 1979, appeared to have been the work of saboteurs among Afghans at the base.

Combined Soviet and Afghan airbases are segregated, with each air force keeping its own personnel to service its planes.

Thai Cabinet agrees to buy U.S. F-16 jets

By Boonsong K'Thana in Bangkok

THE Thai Cabinet yesterday gave formal approval to the country's controversial purchase of 12 F-16 jet-fighters from the U.S., a project likely to cost about $318m.

Approval came seven weeks after the U.S. Congress gave the go-ahead and more than a year of debate. It was made despite intense political opposition from within Thailand and a warning from the Finance Ministry that the purchase could adversely affect the country's foreign *currency reserves.*

The Cabinet cited national security for the approval. There was every need for the Royal *Thai Air Force* to boost its air defence capability to counter the growing threat from Soviet-built Mig-23 jets in Vietnam.

The Cabinet said the purchase was made on the long-term "installment" basis under "extremely relaxed" financial terms

WORLD TRADE NEWS

Nakasone hints at pledge on voluntary export restraints

BY JUREK MARTIN IN TOKYO

JAPAN'S Prime Minister, Mr Yasuhiro Nakasone, hinted yesterday that next month's import "action programme" might also include a commitment to voluntary export restraints.

Specifically, Mr Nakasone told a meeting of government officials that if Japan's trade surplus continues to go up even after the new programme is instituted, then additional export controls might be unavoidable. The new package might, therefore, embrace a commitment to this effect.

This is the first time the Prime Minister has gone this far in public, though two months ago he was extremely critical of the Ministry of International Trade and Industry's decision to increase by about 25 per cent the unofficial limit it is putting on Japanese car exports to the U.S.

Mr Nakasone is waging a major campaign inside his own Government to try to ensure that next month's programme, details of which continue to emerge almost daily, is not dismissed overseas as inadequate.

He is reported, however, to be encountering considerable resistance from some ministries, especially those concerned with agricultural products.

It is estimated that as much as 40 per cent of all Japanese exports are subject to restraint—mandatory or voluntary. Most of the items involved are sold to the U.S. and the EEC countries—the chief critics of Japan's trading practices.

Japan has considered each instance to be a separate case and has, so far, eschewed any across-the-board commitment to export controls, as Mr Nakasone hinted yesterday.

There had been discussion in Japanese political circles recently of the possibility of imposing an export surcharge on goods sold to the U.S. on the grounds that this could pre-empt any import surcharge being imposed on Japanese goods by the U.S. Congress or Administration.

But Mr Nakasone, as well as almost every significant part of the Government, had rejected such a recourse.

Meanwhile, the Prime Minister's additional "pitch of the day" in his session with officials yesterday was for drastic simplification of Japan's standards and certification systems, which, he said, were particular objects of foreign criticism.

He was told by his bureaucrats that agreement on the standards which might be eased for inclusion in the pending action programme had not yet been reached. He was said to have registered his dissatisfaction at this.

Airline industry profits likely to fall

By Michael Donne, Aerospace Correspondent

THE profit of the world airline industry in 1985 is likely to fall below last year's \$500m (£416m), after interest, and could decline further in 1986.

The International Air Transport Association, with 137 airline-members, forecasts that traffic growth, although now strong, may moderate. In addition, continuing pressures for fares cuts have led to pressure on airlines' revenue yields.

Unless the major airlines can reduce costs substantially, it is likely that the 1985 profit after interest could fall to about \$400m, and to little more than break even during 1986.

Iata points out that up to the end of 1983 the world's airlines collectively suffered about \$6.2bn losses, of which barely \$500m has been recouped

The industry, therefore, needs sustained profitability to wipe out the accumulated deficit, and generate funds for re-equipment.

Re-equipment costs are estimated at some \$167bn over the next decade or so, much of it essential expenditure on replacing aging fleets. It therefore seems likely that the airlines' interest burden, currently running at more than \$1bn a year, will rise further.

Hong Kong Dragon plans to fly to China

A barely-noticed arrival at Hong Kong's Kai Tak Airport marks what could be one of the most significant developments in the colony's recent airline history, David Dodwell writes.

A 120-seat Boeing 737 in the colours of Midway Express, the U.S. charter airline, flew into Hong Kong's Kai Tak Airport yesterday, unnoticed amid the roaring traffic of Jumbos, Airbuses and similar wide-bodied aircraft. Few will have noted that Midway never flies to Hong Kong.

This barely-noticed arrival nevertheless marks what could be one of the most significant developments in Hong Kong's recent airline history.

The Government's air licensing authorities are bracing themselves for controversies that are likely to have far-reaching implications for other carriers — particularly Cathay Pacific, and on routes into mainland China.

Within a matter of weeks, the leased Boeing 737 will be wearing the livery of a new airline, Dragonair. Beginning with daily charter flights to Shanghai and Peking, Dragonair plans to expand to capture a significant share of the air traffic between Hong Kong and China's two main cities.

Until a month ago, the venture attracted little attention—and the attention it drew was dismissive. But one official recently traced a change in view: "Suddenly, we have come face to face with the fact that this is no hack affair.

"Dragonair has a strong organisation, strong financial backing, and powerful political support. They still have a long way to go, but they seem determined to make significant inroads into Hong Kong-China air routes—and might actually succeed."

Dragon's application for an air operator's certificate is still in the hands of Hong Kong's Civil Aviation Authority. Applications for licences to fly daily charter routes to Peking and Shanghai can only be made when the certificate has been cleared.

But the signals are that its leased Boeing may be making its maiden run into China by the beginning of August.

Air-traffic rights into and out of Hong Kong are a more-than-usually sensitive affair. Kai Tak is close to capacity, and it is a lucrative stopping-off point in most airlines' regional and global route plans.

But most important, as the territory moves closer to re-absorption into China, so the allotment of flying rights has become a symbol of Peking's willingness to give Hong Kong the "high degree of autonomy" promised under the Sino-British agreement finalised in September last year.

What made air traffic rights one of the most intractable subjects during the two-year negotiations over Hong Kong's future was a fear that CAAC, which acts both as China's national airline and its aviation authority, would after 1997 seize a unique opportunity for self-aggrandisement.

By controlling the right of airlines to fly into and out of Hong Kong, it could strengthen its own international route network, and seriously undermine Cathay Pacific, which is Hong Kong's *de facto* flag-carrier, even though it is British-owned.

Cathay succeeded in convincing negotiators that any such moves would be seen as undermining Hong Kong's autonomy

There were sighs of relief when the agreement provided leeway for the post-1997 Hong Kong Government, rather than Peking, to negotiate air service agreements "for airlines incorporated and having their principal place of business in Hong Kong" for all services except those linked with China. The only eligible airline under these criteria was Cathay.

Dragonair is potentially so controversial because it has been incorporated locally, and without doubt will have its principal place of business in Hong Kong. With backing from China, it will be in a position to usurp Cathay's mantle.

The fear may seem a distant and exaggerated one, given the maturity of Cathay, and its formidable reputation. But that takes no account of the people who own Dragonair.

The Hong Kong Macao International Investment Corporation, set up days after the Sino-British agreement was made public, has backed the airline to the tune of HK\$500m (£51m). Its list of 31 main shareholders reads like a Who's Who of the richest and most influential of its Chinese businessmen.

Even more significantly, the Bank of China holds a 22 per cent equity stake, while Peking's main trading arm in Hong Kong, China Resources, holds a further 12 per cent.

With such backing, the airline's influence inside China is second to none. It is a moot point—and one that will greatly trouble Hong Kong's aviation authorities—whether it should be seen as a British airline or a Chinese one.

The point will be critical when Dragonair comes—as it inevitably will—to apply for rights to fly scheduled services to China and elsewhere overseas.

Such agreements are always based on a balancing of reciprocal rights, and while CAAC would want to see Dragonair on the British side of the negotiating table, Britain would clearly prefer to see the airline sitting alongside CAAC, the "mirror image" of Cathay.

Mr Steve Miller, recruited less than three months ago to manage the new group, is facing more practical problems. Apart from ensuring he wins the air operator's certificate, he has staff to train, flight plans to prepare and booking procedures to arrange.

Cathay Pacific insists it is unruffled by the prospect of stiff competition, but is concerned to protect its present and future plans for scheduled flights into China.

It fought for over three years to win the right to operate a scheduled service to Shanghai, and has only recently won clearance to increase flights to three a week.

The airline has still to win the right to fly to Peking, or any other destination in China.

It has been allowed to lay on charter flights during the Chinese New Year and other major Chinese holidays, but has been refused the right to fly more regular charters, even though it is widely acknowledged that demand for airline seats into cities such as Peking and Shanghai greatly outstrips supply.

It is certain that Cathay will apply alongside Dragonair for any new routes offered by Peking—whether scheduled or chartered—and the contest that ensues is likely to provide important signals on how China intends to interpret the Sino-British agreement up to and after 1997.

In September this year, Britain and China sit down to negotiate a new air services agreement. By then, if all goes to plan, Dragonair will be flying a second aircraft between Hong Kong and the mianland.

Finns to help Soviet Union exploit mineral reserves

BY OLLI VIRTANEN IN HELSINKI

THE SOVIET Union is set to exploit huge mineral reserves in its Kola Peninsula with the help of Finnish companies.

The total value of the project, which will include mines, housing and services, has not been announced but it is estimated to be about \$1bn (£833m). The deployment will begin during the next Soviet five-year economic plan beginning in 1986.

The area in Kola Peninsula, at the north-western corner of the Soviet Union, is reported to have one of the richest concentrations of minerals in the world.

Soviet officials say they have discovered about 700 different minerals there.

In the first stage of the project, the Soviet Union will begin to mine and refine apatite-nefeline resources. Apatite is used in making phosphate fertilisers. There are several smaller apatite mines operating in the Kola Peninsula, with a total production of 18m tonnes of concentrate a year.

Soviet officials, announcing the deployment decision last week at the Finnish-Soviet trade commission meeting in Leningrad, said that Finnish companies will have the first priority to take part in the project.

Finns have built another similar mining town in Kostamus, close to the Finnish border. The Finnish chairman of the commission, Finland's Prime Minister, Mr Kalevi Sersa, estimated in Leningrad that the Kola project will clearly be larger than Kostamus which cost the Soviet Union Fmk 3.5bn (£500m).

A number of Finnish companies, including the country's biggest mining group Outokumpu and some construction companies will be in the front-line competing for the orders. The deployment will also offer opportunities for Finnish metal and engineering exporters.

The Soviet chairman of the commission, Mr Ivan Arhipov, said in Leningrad that Finnish companies will have priority, providing they take part in financing arrangements.

This was a reference to recent discussions about possible compensation deals in which the Soviet Union would use products of a Finnish-built factory as payment for the project.

Moscow offer to Norway

BY FAY GJESTER IN OSLO

THE SOVIET UNION has invited four Norwegian companies to co-operate in the mining-industrial venture on the Kola peninsula.

Representatives of Norsk Hydro, Elkem, Orkla Industrier and A/S Prospektering will visit a factory and a mine in the area on Friday. They will be accompanied by Mr Asbjorn Haugstvedt, Norwegian Trade Minister.

The trip to Kola follows this year's meeting in Moscow of the Norwegian-Soviet mixed economic commission, which seeks to promote trade between Norway and the Soviet Union.

All four company executives are on the Norwegian delegation to the commission, a meeting of which started yesterday.

Nearly 20 Norwegian companies are represented at the Moscow talks, among them Boconor, a Norwegian partnership formed to win Soviet contracts for Russia's offshore petroleum search in the Barents Sea.

Meanwhile, Pomor Oil, a recently-formed subsidiary of a Finnish-Norwegian trading company, has undertaken to help Geco, a Norwegian seismic survey company, secure work in Soviet waters.

Philips plans TV tube joint venture in China

BY LAURA RAUN IN AMSTERDAM

PHILIPS, THE Dutch electronics group, has strengthened its rapidly growing foothold in China with plans to establish a joint venture in Jiangsu province for the production and sale of colour TV tubes and deflection coils.

An agreement in principle was signed at Philips' headquarters in Eindhoven yesterday during an official visit to the Netherlands by Zhao Ziyang, Prime Minister of China.

The four-day visit is part of a large European tour designed to promote economic co-operation, with China interested in acquiring technology and European countries seeking greater trade opportunities.

The joint venture will be 30 per cent owned by Philips and 70 per cent by the Bank of China-Nanjing Trust and Consultancy Company and the Huadong Electron tube factory.

A factory with a production capacity of 1.5m tubes and deflection coils a year will be built in Nanjing, with operations to begin at the end of 1987.

Philips will supply machinery, components, tools and know-how for manufacturing, while the Chinese partners will build and equip the new plant according to Philips' designs and specifications. The Dutch company will provide further technical assistance and equipment after production begins.

The new joint venture is the second such project announced recently, following a 50-50 venture between Philips and the China Electronics Import and Export Corporation to build an audio equipment factory.

Mr C van der Klugt, a vice-president of Philips, noted in a speech in London yesterday that "Philips has given significant attention to China and its huge market potential."

The Dutch company, which is Europe's largest electronics company, expects sales in China to multiply five-fold this year.

In recent months, Philips has received a string of contracts from China involving colour television sets, radio recorders, laservision and refrigerators. Earlier this year, Philips opened an office in Peking.

Zhao's visit to Holland, the first such visit by a Chinese leader, is another signal of warming bilateral relations. China downgraded diplomatic ties with Holland in May 1981 in protest of the Dutch sale of two submarines to Taiwan.

Full diplomatic relations between The Hague and Peking were restored in February 1984 following a Dutch decision not to deliver four more submarines to Taiwan. Last January the Dutch Foreign Minister, Mr Hans van den Broek, visited China.

EUROPEAN NEWS

West Germany fights the sunbelt versus rustbelt image

Rupert Cornwell in Bonn examines the evidence of a north-south problem in Europe's most powerful economy

HAS EUROPE'S most powerful economy acquired the dubious distinction of joining Britain and Italy as another EEC country with a north-south problem?

The answer, to judge from the headlines and the carefully selected statistics and pictures which support them, would appear to be an unequivocal "yes." There is an ever-widening divide in West Germany between an affluent south and a decaying north.

The contrasts are superficially irresistible, between the southern states of Baden-Württemberg and Bavaria in particular, which would seem to consist of little else than glossy new aerospace or robotics plants nestling in pretty countryside, promoted by evocative publicity slogans like "Come and work where others go on holiday," and those now familiar images of the closed shipyards, steelworks and oil refineries of the north, all for good measure enveloped in a suitably wintry setting. In a word, sunbelt versus rustbelt.

The argument, at its simplest, is that West Germany is undergoing its own equivalent of the current westward and southward shift in the U.S. – or, still more bleakly, taking the British path towards a split between a conservative, risk-taking and high-employment south, and an atrophied, over-unionised north, politically of the left, and condemned by social tradition, economic change and plain geography to long-term decline mitigated only by huge state subsidies.

That is the simplest view. Most experts would say it is more than a little misleading. But is does draw powerful support from the most emotive political issue of the day here: unemployment.

In 1984, around 9 per cent of West Germans were without a job. Yet in every state north of the "frontier" between the two halves of Germany – Schleswig-Holstein, Hamburg, Bremen, Lower Saxony and North-Rhine Westphalia, the unemployment rate was above this figure. In every one to the south, with the exception of the atypical enclave of the Saarland, handicapped by a struggling steel industry, it was lower; in the case of Baden-Württemberg, as little as 5.3 per cent.

Moreover, despite containing North Rhine-Westphalia, the most populous federal state, the north has been slowly losing inhabitants to the south to the point where the two halves are today almost exactly equal in population.

There is other evidence pointing to the greater dynamism of the south. Its four-star *Länder*, Bavaria, Baden-Württemberg, Hesse and Rhineland Palatinate account for 48.3 per cent of West German gross national product – but for more than 60 per cent of the new companies set up throughout the country in 1984. The big ones already there – Daimler-Benz, Siemens, Bosch, BMW and the aerospace concerns *MBB* and Dornier – merely underline the region's entrenched position in high technology.

Then again, as if to prove the subsidies theory, northern states (including West Berlin) occupy six of the first eight places in the league table of indebted states. Bremen alone has the unenviable celebrity of debts of DM 11,415 ($3,734) per inhabitant: at the other end of the table, the comparable figures are DM 2,036 for Bavaria and DM 2,793 for Baden-Württemberg.

But is everything so clear-cut? Certainly not. Data compiled by Ifo, the Munich-based economic institute, shows that Hamburg – world-weary but elegant – remains by far the wealthiest German state, in terms of output per head, and indeed improved its position between 1970 and 1983. So did Bremen, for all its well-advertised problems, including an unemployment rate of 13.5 per cent. Despite appearances to the contrary, and the smooth campaigning of Herr Lothar Späth, its premier, Baden-Württemberg actually slipped back slightly.

In fact the real shift since 1970 has been in favour of Bavaria, Baden-Württemberg's great rival in the south, at the expense of North Rhine-Westphalia. Indeed, if the north has lost ground, that has been exclusively due to that last region's difficulties, linked to the problems *of the* Ruhr coal and *steel* industries which were long its lifeblood.

The most measured view, perhaps, comes from Ifo: "So far you can't talk of a dramatic shift from one half of Germany to the other: but there's no arguing that the south is now better placed for the future." One reason lies in the industries which are operating there: another in the research and educational facilities which have grown up around them.

The same point is made at the opposite *end of the country*, by Dr Klaus-Werner Schatz, of the International Economics Institute of Kiel University. "Here in Schleswig-Holstein, there's no technical university: you have to go to Stuttgart. To bring someone back here, you probably will have to pay them even higher wages." Which brings him to another, and perhaps even more telling, argument.

Of all the statistics traded in the north-south debate, few attract scantier attention than wage costs. The north has higher unemployment – but one reason may be that it costs more to employ people there.

In Hamburg, it costs DM 17.15 per hour, in North Rhine Westphalia DM 15.37 and in Lower Saxony DM 15.21. In Baden-Württemberg the figure is DM 15.10, in Bavaria just DM 13.97 – which may be one more justification for the forecasters' belief that Bavaria by the end of the decade will have the lowest jobless rate in West Germany.

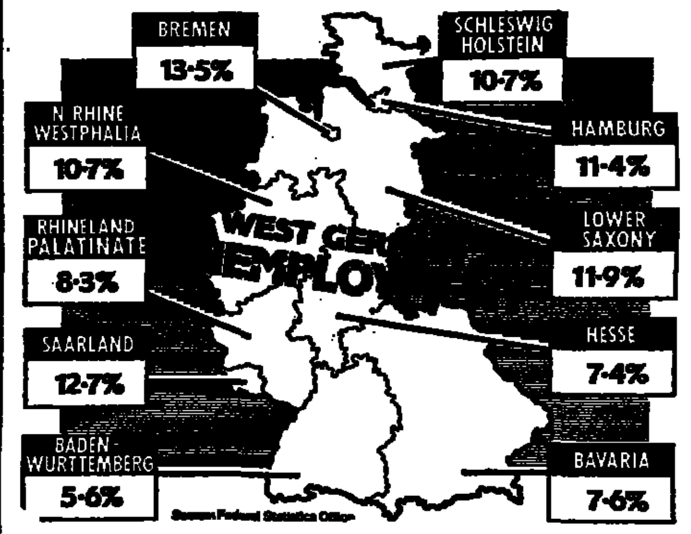
Yet German unions are not ready *to face the implications of such* realities. In the seven-week engineering dispute a year ago over a shorter working week, IG Metall, the metalworkers union, chose companies in rich north Württemberg and Hesse as its targets. The settlement of the strike, however, was nationwide, meaning, as Dr Schatz remarked sourly: "It is Mercedes and Bosch which set the conditions here in Schleswig-Holstein." And that even though the supply of labour is greater in the north and the demand less.

Nor is there much likelihood that this state of affairs will swiftly change. The most painless compensation for such discrepancies is subsidies. For all the vaunted commitment to limiting subsidies and the promotion of enterprise and competition, German governments – both *central* and regional – have shown small will to act.

The short-term consequences of lower subsidies would probably be higher unemployment: not something that the poorer *Länder*, with their shrill demands for special treatment, or the centre-right coalition in Bonn, still dazed by its electoral disaster in North Rhine-Westphalia in May, care to contemplate.

To that extent, therefore, the pull of the comparatively unfettered south may grow in the near future. In *the longer* term, *however*, the north – and especially North Rhein-Westphalia, in some respects still the centre of West German economic gravity – is unlikely to allow the drift to continue indefinitely.

The high-technology, research-oriented models of Bavaria and Baden-Württemberg are being ever more widely imitated. "The opening hands in the north-south battle have been dealt. But the card game has hardly started." Until it ends, West Germany will stay one of Europe's *most homogeneous*, evenly balanced economies.



Source: Federal Statistics Office

Dutch recovery 'faster than planners forecast'

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS' industrial recovery is growing faster than the central planning bureau recently forecast and at a pace comparable with the period after the second world war, according to Mr F. W. Rutten, the Government's senior economic adviser.

He also predicted that profits, investment and employment would continue to climb relatively sharply in the second half of the 1980s, with the economy expanding between 2 and 3 per cent.

Profit margins and companies' disposable income have now rebounded to a level about even with the early 1970s before the first oil crisis, Mr Rutten said earlier this week.

The chief economist's more optimistic outlook is apparently shared by Mr Ruud Lubbers, Prime Minister, who recently indicated that he expected economic growth above the widely forecast 2 per cent.

Cause for optimism is provided by some recent economic news: bankruptcies in the first five months of 1985 dropped 13 per cent from the year-earlier period, while unemployment fell below 16 per cent in May from about 18 per cent the previous year.

Mr Rutten said that business investment was expanding more rapidly than the 5½ per cent predicted for this year by the semi-independent planning bureau. He also noted that the import volume of investment goods was 50 per cent higher in the first months of 1985 than in the same period of 1983.

"The current period is not comparable with the golden years of the 1970s but rather with the 1950s, when great effort and sacrifice were made to achieve postwar prosperity," the influential economist said. Mr Rutten described the industrial recovery as a structural improvement attributable to wage moderation, tax cuts *for business* and the international upturn.

Corporate profitability fell sharply in the Netherlands during the 1970s as wage rises far outpaced inflation and productivity slumped. Business investment also eroded notably, while economic growth subsided. The recession of the early 1980s forced widespread and intensive restructuring in Dutch industry, with fruits of the slimming-down process now appearing.

NOTICE TO HOLDERS OF

FUJITSU LIMITED

(Fujitsu Kabushiki Kaisha)

U.S. $80,000,000 5⅛ Per Cent. Convertible Bonds 1996 (the "1996 Bonds")

U.S. $180,000,000 3 Per Cent. Convertible Bonds 1999 (the "1999 Bonds")

Pursuant to Condition 5(C)(xii) of the Terms and Conditions of the above-mentioned Bonds, notice is hereby given that, because of the issuance of new Swiss Franc convertible bonds and notes and Deutsche Mark convertible bonds on June 17, 1985 and June 18, 1985, respectively, the conversion prices of the above-mentioned Bonds have been adjusted as follows:

1. The conversion prices in effect before such adjustment were Yen 548.60 per share of Common Stock for the 1996 Bonds and Yen 1,200.80 per share of Common Stock for the 1999 Bonds, and the adjusted conversion prices are Yen 547.60 per share of Common Stock for the 1996 Bonds and Yen 1,190.50 per share of Common Stock for the 1999 Bonds.

2. Such adjustments took effect (i) as to the 1996 Bonds, as of June 18, 1985, Tokyo time, and (ii) as to the 1999 Bonds, as of June 17, 1985, Tokyo time pursuant to Condition 5(C)(iv) of the Terms and Conditions of the Bonds.

FUJITSU LIMITED
By: The Bank of Tokyo Trust Company as Trustee

Dated, June 19, 1985

TECHNOLOGY

EDITED BY ALAN CANE

Fast forward to cheap ways of storing data

Professional Personal Computing

BY ALAN CANE

ALPHA MICROSYSTEMS, of Irvine, California, would like to be known as the world's leading manufacturer of multi-user microcomputers. Its place in electronics history, however, is more likely to be guaranteed by its contribution to low cost microcomputer memory technology.

It uses standard domestic video recorders and standard four hour video cassettes to record up to 800m (100 megabytes) individual bits of data (single binary digits, equivalent to a single pulses of electricity) at a price of around 10 cents a megabyte of storage.

Until now, this wonder has only been available to owners of Alpha Microsystems' own computers. The company is, however, planning to sell from August a "bolt-on goodie" for owners of IBM XTs, ATs and other IBM plug-compatibles such as the AT&T/Olivetti machines, which will give them access to this remarkably cheap form of data storage for under £1,000.

For £650 they will be able to buy a plug in printed circuit board, virtually a computer in its own right, which slots into the PC and which enables it to transmit digital computer data in a form in which it can be recorded on video tape. The video recorder can be of any format, VHS, Betamax or System 2000 and such recorders cost less than £400.

Alpha Microsystems' ability to use domestic videorecorders and videocassettes for data storage is remarkable because of the inherent lack of reliability in these devices. Not the machines themselves — video cassette recorders of whatever make are pretty robust these days and simple to repair — but the recording technology. It was simply not designed for the precision needed in data recording.

The human eye can tolerate a great deal in terms of poor image quality — whole frames can be missing from the screen before much deterioration is noticed. The computer has no such ability to "fill in" the blanks.

So the first test for Alpha Micro was to *discover how* much data could be recorded on a VCR cassette. The company had already settled on a conservative method of data recording. In the U.S., for example, the stored video signal represents a field of 240 lines repeated 60 times a second.

That gave a potential storage limit for a four hour cassette of 32bn bits of data. Alpha, however, went for reliability, storing only 40 bits along each picture line and making no attempt to store data during the vertical retrace intervals at the end of each field. That reduced the capacity of a four hour tape to only 8bn bits of data.

Tests showed that the tape could indeed store that volume of data but not with the necessary reliability. As the objective, however, had only been to store 800m bits of data, Alpha's engineers reasoned they could duplicate the information several times on each tape.

Their tests showed that recording two copies of the data gave an error rate approximately equal to that of "floppy" disk storage while three copies gave an error rate better than that of Winchester disk storage.

Winchester disk technology is one of the most reliable forms of storage known, involving a rigid magnetic disk spinning in a hermatically sealed chamber free of dirt and safe from clumsy humans.

The Alpha team decided to err on the side of safety and store six copies of the data to ensure its integrity. The data is stored serially, six blocks at a time, as identical blocks with special inbuilt correction codes in each. As each block is read, an error-check calculation is performed, and when the right answer is given the system skips along to the next set of blocks.

According to Alpha: "A user may optionally specify that up to 255 copies of the data will be recorded, thereby raising the theoretical integrity of the data to approach infinity, barring equipment failure or physical destruction of the video cassette."

So what Alpha had developed was an adult version of the cheap cassette storage commonly used on home computers. It was fast, cheap and accurate.

Streaming tape drives, the devices used conventionally to store computer data cost up to $5,000; the tape used in the system perhaps $20.

By comparison, an ordinary VCR costs $500 or less, and a four hour VCR tape about $10.

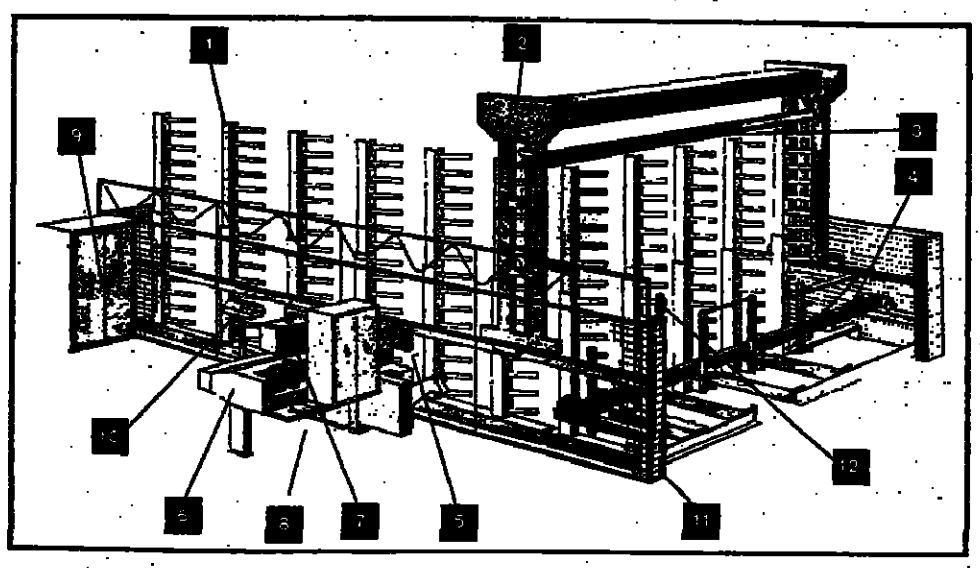
But Alpha had developed more than just a low cost data storage technology; it had invented a cheap way of broadcasting computer data to a large number of microcomputers

Consider, for example, a company with many microcomputers spread over a limited geographical area. Using Alpha's video technology, cable, microwave or satellite television systems could be used to transmit data to all those workstations simultaneously.

The BBC's *Tomorrow's World* demonstrated the technique two weeks ago, echoing an earlier demonstration at a Canadian Computer Show. The BBC transmitted data from the television studies to a portable computer on top of a crane jib. The signal was then spliced into the transmission allowing Alpha Micro owners to record the information on their videorecorders.

Alpha claims that its technique enables data to be sent from a computer to anywhere that a TV picture can be received.

Meanwhile, it continues to make good money from its traditional business of multi-user micros for niche markets. In a tough world, it seems to have shown that a measure of specialism tied to a lot of innovation can be a formula for success.



1 Storage racks for bars. 2 Gantry. 3 Arm for accepting bars of varying diameter. 4 Carriage for loading bars. 5 Device for lifting and lowering of roller track. 6 Computer controlled sawing machine. 7 Control panel. 8 Container for sawn pieces. 9 Supervisory computer. 10 Control panel for minor adjustments. 11 Protective fence. 12 Warning light.

Satellite TV: Japan tries again

BY RAYMOND SNODDY RECENTLY IN TOKYO

NORMAL SERVICE is due to be restored to Japan's stricken direct broadcasting by satellite (DBS) project early next year.

Since Japan launched the world's first high power DBS satellite last January the project has been a costly embarrassment. At first the Y26bn (£80m) satellite delivered two channels of good quality pictures from the Japanese Broadcasting Corporation, NHK, to mountainous and remote island regions which cannot receive terrestial television.

On the main islands they were picked up by 1 metre diameter dishes and as far away as Okinawa on 4 metre dishes. Then two of the three transponders failed and the satellite was only able to broadcast a single channel.

The failure stopped Japanese consumer electronics companies hoping to sell the receiving equipment in their tracks. And there has also been little incentive to put on special DBS programmes for an audience that has so far reached only 40,000 people.

Mr Kazuyuki Aoki, senior advisor in the Communications Policy Bureau of the Japanese Ministry of Posts and Telecommunications says it is difficult to know precisely what went wrong with the BS-2A satellite high up in the geostationary orbit.

But the problem was almost certainly caused by defective insulation and a build up of excess heat in the travelling wave tube amplifiers (TWTAs) produced by the French electronics company Thomson CSF.

The heat became so intense that part of the TWTAs, which amplify the television signal from earth, melted.

"We are very disappointed but we plan to launch another space satellite," Mr Aoki said.

Modifications have been carried out to the Thomson tubes. Mr Aoki said that heat sinks had been installed to radiate excess heat.

The second satellite was due to be launched later this summer. But this has now been postponed until next January or February to allow ground tests to be completed.

When the new satellite joins the partially functional original in orbit, the DBS viewers in remote regions will be able to receive an education channel as well as the existing general one.

The problems of the first generation of Japanese DBS, intended to relay existing television channels to the 420,000 homes which cannot receive them, look as if they are going to be solved.

Japan is now pressing ahead with a second generation system scheduled to be launched in 1989.

And this time the travelling wave tube amplifiers are likely to be Japanese.

"NEC and Toshiba are now developing travelling wave tubes in a joint effort with NHK," Mr Aoki said. "To begin with we did not feel we had the confidence to manufacture high power TWTs. Now I think we can manufacture these tubes," Mr Aoki added.

The Japanese Government will meet 35 per cent of the development costs of the two satellite systems which will broadcast three channels of television programmes.

The 1989 launch is important for the Japanese electronics industry which sees DBS as the delivery vehicle for high definition television (HDTV).

Electronics companies such as Sony and Matsushita already have HDTV sets with 1125 scanning lines producing television pictures of remarkable quality compared with existing sets. But they see the new technology as best suited for satellite delivery because HDTV requires five times the data volume of conventional television.

Japanese electronics companies hope that by the turn of the decade DBS will have created a market for HDTV in Japan which will provide the base for an assault on world markets.

High definition television, they hope, will be one of the "new media" products that will mean growth to mature conventional colour television and video recorder markets.

Automatic saw is a cut above the rest

THREE British companies have taken the plunge into the new world of automated sawing systems fo rengineering workshops.

Hyster, a fork-lift truck company based in Irvine, Scotland, is using equipment that takes metal bars from racks and automatically feeds them into a sawing machine for cutting to standard lengths.

Yarrow Shipbuilders (*owned* by GEC) of Glasgow and Brook Motors, an electric motor manufacturer in Huddersfield, are due to take delivery of similar systems

The equipment, made by Kasto of Achern, West Ger-Germany, and sold in the UK by Rivers Machinery of Winchester, includes up to 180 racks which store bars of steel, brass or aluminium up to 6 metres long.

UK companies have been slow to take up the Kasto automated systems. The company has sold more than 100 to customers in West Germany and elsewhere in Europe.

The inquipment includes a gantry which selects bars from a specific rack under computer control, and feeds them to a circular saw which cuts them into a predetermined shape.

According to Mr Rex Mead, managing director of Rivers, the hardware can feed metal of set lengths to others sets of automated machinery such as computerised machine tools.

Engineering companies that have installed automated systems to fashion (for instance by drilling or cutting) metal components under programmable electronic control sometimes find they cannot operate their devices at full speed because the latter cannot receive supplies of raw material fast enough.

The automated sawing systems, which cost about £150,000, are designed to tackle this problem. According to Mr Mead, a computerised sawing system can with one operator do the work of four ordinary sawing machines each of which would require one person.

Conventional sawing machines, which cut to length individual bars which the operator has to load onto the device, can take up to half an hour to reset to turn out a different shape of metal. With the Kasto mach-machine, this takes less than a minute.

PETER MARSH

New link-up for futures markets

THE LONDON and Paris commodity futures markets will share electronic price reporting by mid-October. The system, known as Manifest, already links London and Amsterdam. It is also linked to a direct feed from New York and Chicago.

Other price reporting systems from Reuters and IBM are now in use in Paris, but there is often a time delay of a few minutes between bidding and reporting. The Manifest system works in real time, providing price quotations within one-tenth of a second of bidding.

No trading will actually occur between London and Paris on the link, since Manifest only supplies information. However, transactions in Paris will be speeded by the system, since traders there will benefit from the prompt reporting of local prices.

Whenever a deal or bid is made, it will immediately be entered on a high-speed shorthand keyboard specifically designed for that commodity and displayed on the Manifest floor terminals.

Less confusion will result, the London Commodity Exchange says, as traders will merely check the nearest terminal for instantly tradeable prices. Mistakes will also be quickly noticed

Switch on to printer-sharing

A SWITCH which makes it possible for up to six computers to share the same printer has been developed by Nighthawk Electronics of Saffron Walden, Essex.

The switch will work with virtually any computer with a Centronics interface and its operation is entirely automatic.

The cost of the switch ranges from £139 for a two-line model to £265 for the 6-line version. It operates from a cable or wall mounted mains transformer. Nighthawk is on 0799 40782.

WORLD OIL BUSINESS

Way clear for Chevron to justify Gulf deal

BY WILLIAM HALL IN NEW YORK

FOR A man who has recently closed the biggest takeover deal in U.S. history, and bet his company in the process, Mr George Keller, 61-year-old chairman of Chevron (the old Standard Oil Company of *California*) *is remarkably un*assuming. There is no trace of arrogance about him as he patiently explains his plans for what has traditionally been one of the most conservatively run international oil companies.

On Monday March 5 1984, he doubled the size of his company with the $13.2bn acquisition of Gulf which was trying to escape from T. Boone Pickens, the corporate raider. Overnight, Chevron became the biggest gasoline retailer in the U.S. with 34 refineries and close to 30,000 service stations around the world. Should Mr Keller *be regarded as a genius or a* reckless gambler? Wall Street has not yet made up its mind.

He was not the only one who had his eye on Gulf, which in terms of its $28.9bn revenues was slightly bigger than Chevron. Mr Robert Anderson, entrepreneurial chairman of the Los Angeles-based Atlantic Richfield (Arco), had put in a $70 per share bid, which, with the benefit of hindsight, he is glad was turned down. Chevron offered $80 per share and is happy that Gulf accepted.

Which company is right? Arco has since announced a sweeping change in its corporate strategy (as reported on June 6) which will make it a *much smaller company than it* was when it was thinking of taking over Gulf. By contrast, Chevron gives the impression that it would do exactly the same again if it was offered the chance to buy Gulf tomorrow.

There are some on Wall Street who wish that Chevron's bid for Gulf had suffered the same fate as its absurdly generous $4bn offer for Amax which was rejected three years before. For the record Chevron offered $78.50 for Amax shares which are now worth about $16 each.

The Gulf deal has transformed Chevron from one of the most conservatively financed oil majors into one of the most highly leveraged, at a time when oil prices are sliding down hill. Since the takeover its shares have been shunned by investors and they are no higher today than they were on the eve of the bid although U.S. share prices have risen by more than a fifth in the interim.

In common with the rest of *the international oil industry* which is having to adjust to the radically changed outlook for energy prices, Chevron was already pruning its business before it bought Gulf. Now it is having to restructure two busi*nesses at the same time as try*ing to merge them. It could be argued that Mr Keller's task is twice as formidable as that facing other oil industry leaders, but that is not the way he views it.

He admits that there are "more chess pieces on the table" following the Gulf takeover, but there are also "more options available." He insists that "if we do the job right we should have a leg up on most of the industry" and denies that senior management time being devoted to the merger has meant a loss of momentum at the operating level.

"I would not want to do this for three or four years," says Mr Keller but for six to twelve months, I think it is pretty exciting for somebody to have a little bigger job to do and, boy, the adrenalin has been *flowing.*"

Chevron has inherited a company whose corporate style differs considerably from its own. Whereas Chevron has prided itself on producing its executives from within, Gulf had looked outside for many of its senior staff. Gulf had gambled heavily on finding a giant oil field in the high risk "frontier" areas, and failed. This, together with several major corporate reorganisations had taken its toll on company morale.

For just over a year after the *deal was announced Chevron* was forced by the Federal Trade Commission to operate Gulf as *a completely separate company.* On March 14 the Commission lifted its onerous "hold-separate" restrictions and cleared the way for Chevron to begin reaping some of the short term financial benefits which come from any merger.

While the year long "engagement" was frustrating in that *two major oil companies were* competing head to head in several markets, Mr Keller admits that it had some benefits. It gave the 40 joint study teams, set up by Chevron and Gulf, time to think about the *kind of company they wanted* to create.

Under Chevron's 48 year old Mr Ken Derr, regarded by many as Keller's heir apparent, Chevron has begun to chip away at the corporate fat and *excess baggage of the two com*panies. It has sold off parts of Gulf which the FTC required, such as Gulf's refining and marketing operations in the "sun-belt" states and late last month announced the sale of its shares in *Gulf Canada for* $2.2bn. It has agreed to sell Gulf's art deco Pittsburgh headquarters, its oil trading division and international drilling operation, Keydrill.

Chevron has tied up well over half the assets sales of up to $5bn which it had planned following the Gulf takeover. The money will be used to pay off the $10bn raised to buy *Gulf and to accelerate a reduc*tion in the 48 per cent debt to capitalisation ratio. Prior to the takeover the ratio was 10 per cent and the target is to reduce it to about 25 per cent in the next five years.

Since Chevron bought *Gulf,* long-term U.S. interest rates have fallen by about 200 basis points, substantially reducing Chevron's financing costs which were running at nearly $2m a day last year. But while interest rates have moved in the right direction for Chevron, the same cannot be said for *world oil prices, which is what* is worrying Wall Street.

The price of West Texas intermediate, the benchmark U.S. crude, has fallen by $2.50 per barrel to $27.50. Since Chevron bought Gulf. Mr Keller notes that Chevron's current price projections are 10 per cent lower that they were *when it was hatching* its bid for Gulf but he plays down the impact.

Aside from the beneficial impact of lower interest rates, when Chevron took a closer look at Gulf's reserve data after the acquisition it found that there was significantly more oil in terms of "probable" reserves, which could be easily upgraded to proven reserves, than it had expected.

Mr Keller plays down the possibility of a *collapse in* crude oil prices and stresses that even if, heaven forbid, the world price was to drop to $2: a barrel it would not put Chevron out of business and even Gulf would still be able *to cover its financing costs.*

If prices did collapse, Chevron and every other oil major would cut exploration spending sharply and since this is a direct charge on the profit and loss account, there would be only a "*modest reduction in* earnings."

While Wall Street is mesmerised by the impact of softer oil prices on the debt-burdened Chevron's short term performance, Mr Keller argues strongly *that investors should* be taking a longer view. "Our shares are seriously undervalued because there is none of the potential value in them," says Mr Keller who does not hide his disgust at the short term investment *horizons of many U.S. pension* fund managers.

He describes the Gulf acquisition as "a complex, variable annuity that greatly enhances the security of our company for the future." It is easily for*gotten that this is the company* which only five years ago was lifting more than two-thirds of its oil from a single source—Saudi Arabia. The acquisition nearly doubled Chevron's worldwide proved net liquid reserves to about 4bn barrels and increased its natural gas reserves by three-quarters to 11,300 bn cubic feet: about half of the oil and two-thirds of the gas are located in the U.S.

Although Chevron was the company which discovered Saudi Arabia's oil in the 1930s, it does not believe, like some of *its partners, that it is owed any* special favours in terms of preferential access to the world's biggest oil reserves. Instead it is pinning a lot of faith on exploration in "frontier" areas, *such as a wildcat well being* drilled next door to the Alaska national wildlife refuge, and enhanced oil recovery techniques.

George Keller: "If we do the job right we should have a leg up on most of the industry"

Mr Keller continually stresses Gulf's "excellent fit" with Chevron. Overseas, Gulf has focused on West Africa while Chevron's concentration has been in Indonesia, Australia and the Sudan. In the U.S., Gulf's reserves tend to be light crudes from the Gulf States, while the greater portion of Chevron's domestic reserves are in heavier crudes on and offshore California.

While there may not be too much overlap among the two companies' upstream operations, the same cannot be said downstream, which is where senior executives of both companies are devoting their greatest efforts. It is also the area of greatest uncertainty as they decide on the size of company that the new Chevron should aspire to be. It is by no means certain that Chevron will be *able to avoid laying off some of* its 79,000 strong workforce, especially if an insufficient number take advantage of early retirement programmes.

After the merger the two companies held 10.4 per cent of the U.S. gasoline market and Mr Keller stresses that he has no interest in being the coun*try's biggest marketer* of petroleum products. But he refuses to be drawn on the manpower implications of any reduction in the size of downstream operations.

Chevron is undertaking a strategic study of refining and marketing operations in order to look at where the company should be in the 1990s. "There are an awful lot of people in that end of the business" says *Mr Keller.*

He does not share the view of some of his predecessors that in an ideal world an integrated oil company's crude supplies should balance its refining demand. If, for example, the *strategic study group* recommends that Chevron should halve the size of its downstream operations. "I have no problem with that" says Mr Keller.

However, he rejects the *popular belief on* Wall Street that the best move for an oil company would be to get out of downstream operations altogether."I think that assumes that this business will never recover. I think it will, but I think this *is the time for a* winter pruning." says Mr Keller. "We are not really interested in staying in any place where we are in the middle of the pack downstream. We have got to be in the upper half because the other guys are going to take a beating."

"If, for instance, we have 4 per cent of a market and we conclude that we really need between 7 per cent and 9 per cent to be competitive, we will probably pull out. But in those markets where we have 10 per cent it may well be very attractive to pick up one or two extra percentage points."

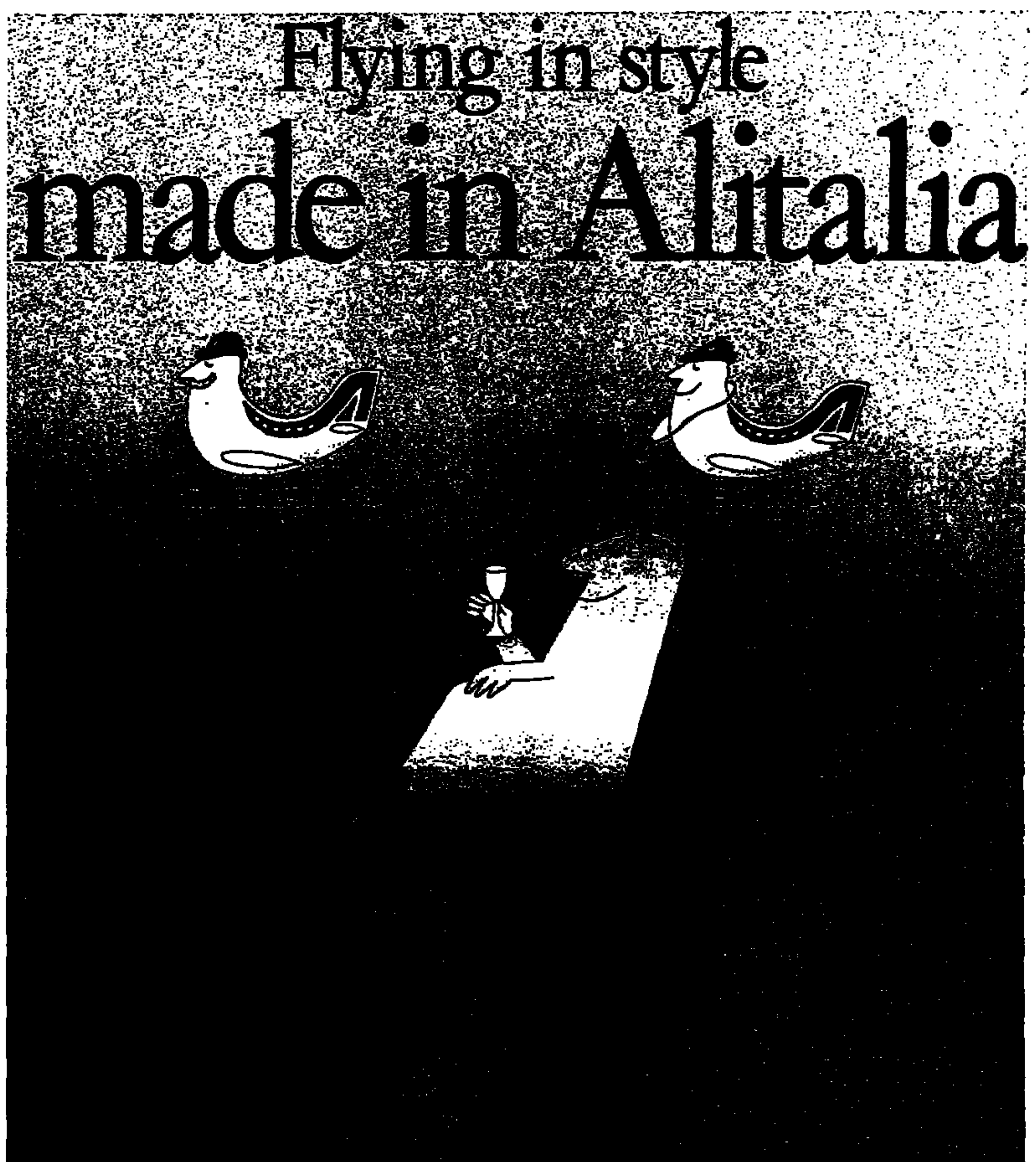
The wisdom of Chevron's acquisition of Gulf should not be judged by the performance of the last 12 months when the company has effectively had its hands tied because of Federal Trade *Commission* restrictions on what it could do with Gulf. It should now be able to show whether it can make the merger work.

Last year Gulf contributed $40m, or about 3 per cent of Chevron's $1.5bn net income, and Mr Keller believes that there is no reason why it cannot increase its contribution tenfold to almost a third of Chevron's earnings by 1989. That sounds impressive, but on closer inspection it does not appear to say much for the performance of the rest of *Chevron's business.* Either Mr Keller is being overly conservative or Chevron needed Gulf more than Wall Street was led to believe.

Previous articles in this series appeared on May 23, June 3, June 6 and June 10.

RETURNS FOR LAST FIVE YEARS

	1980	1981	1982	1983	1984
Net income ($m)	2,401	2,380	1,377	1,590	1,534
Return on equity (%)	23.6	20.0	10.6	11.6	10.6
Long term debt ($m)	1,848	2,035	1,934	1,896	12,972
Capital spending ($m)	3,599	5,568	4,666	3,330	4,786
Proved oil reserves (bn barrels)	1.7	1.6	1.6	1.9	4.0



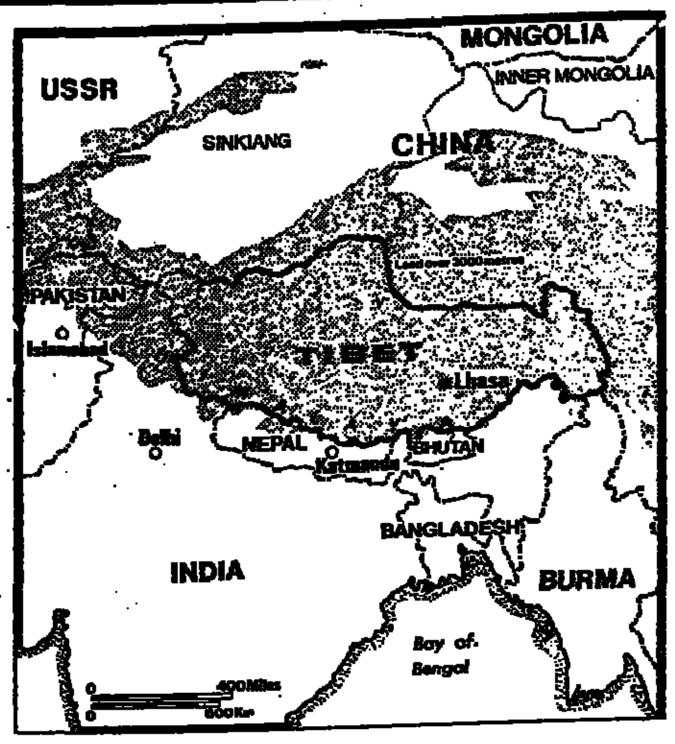
Company Notices

TIBET 35 YEARS ON

Anniversary that is not a cause for celebration

By Mark Baker, recently in Lhasa

Mao Tse Tung



THIS October marks the 35th anniversary of the march into Tibet by Mao Tse Tung's triumphant People's Liberation Army.

It is an anniversary which the 1.8 million people of Tibet will not be celebrating and which the Chinese will discreetly overlook.

According to the exiled Dalai Lama, who is still worshipped as god and king by most Tibetans, 35 years of Chinese rule have resulted in the deaths of no less than 1m Tibetans in labour camps, executions, rebellions and through starvation.

The Chinese themselves admit that at least 87,000 Tibetans died fighting the occupation of their land. While Peking does not elaborate on the other casualties, the ruined monasteries and settlements that pock the magnificent Tibetan landscape testify to the holocaust that was unleashed during the Cultural Revolution.

There will, however, be official festivities in September. That is the 20th anniversary of Tibet becoming an autonomous region of China—a handy geographical misnomer for a nation which rails against hegemonism. It has been deemed the appropriate occasion to emphasise Peking's continuing grip over the strategically vital Himalayan territory.

To mark the event, Peking is undertaking a massive capital works programme across Tibet. More than US$160m is being spent on 43 special building projects including stadiums, libraries, schools and hotels, and about 10,000 skilled workers have been imported from eastern China to see the jobs are finished in time.

But there is an air of subterfuge surrounding the intensive activity and a sense that the present Chinese leadership is attempting to paper over the excesses of its predecessors.

The preparations for celebration are made more incongruous by the fact that in recent months the Chinese authorities have begun to admit the complete failure of their economic policies in Tibet over the past generation, as well as the inadequacy of remedial measures applied in the past few years.

Following a tour of Tibet last August by a leading member of the Communist Party secretariat, Mr Hu Qili, and a vice-premier, Mr Tian Jiyun, a series of radical reforms are being tried in agriculture and industry—in some cases more radical than those being applied in the rest of China—and the old planning precepts are being dumped.

Behind the change of course was the alarmed realisation that between 1952 and this year the central government poured more than US$3,050 million in subsidies into Tibet to produce negligible economic growth and little improvement in infrastructure and living standards.

In January the official publication Shanghai World Economic Journal declared: "Has Tibet, with such vigorous financial support from the state, built its economy on a foundation of developing on its own? Regrettably, the answer is negative. Tibet's entire economy has declined and become more and more dependent on state subsidies."

The Journal said that every 1 Yuan (about U.S. 35 cents) created in Tibet required state subsidies of 1.21 Yuan. It estimated that to bring Tibet into line with the national target of quadrupling output by the turn of the century would require additional subsidies of more than $1.535m.

The Journal said subsidies had been squandered buying state goods, instead of developing local production. It said that in 1983, 62 per cent of the subsidies had been spent on buying goods from other parts of China, which accounted for 96 per cent of the goods retailed in the region.

> The Chinese Government has spent huge amounts maintaining control over the troubled territory

The Chinese Government has spent huge amounts maintaining its control over the troubled territory, but has made little headway in providing better education, public health or in developing local management skills.

The cost of administering Tibet has risen tenfold since 1952 and the bureaucracy, still dominated by a core of the 90,000 Han Chinese civilians imported to Tibet, consumes more than half the entire industrial output—worth $57m last year.

As long ago as 1980, the Chinese authorities were admitting that the living standards of a third of the population had fallen below the levels of before the Cultural Revolution, in the mid 1960s. Officials in Lhasa say the average per capita income of agricultural workers was Yuan 317 last year—half the national average.

Almost 75 per cent of Tibetans are illiterate (compared with 31.9 per cent throughout China). The average life expectancy is still only about 40 years (against a claimed 65-plus nationally) and the infant mortality rate is believed to be well in excess of 150 per thousand births.

The economic failure in Tibet has been the result of political upheaval, misguided attempts by the Chinese to overthrow traditional agricultural customs and natural disasters.

Tibet's economy was dislocated by rebellion from the early 1950s to the outset of the Cultural Revolution. During the subsequent decade, Tibet suffered more from the leftist extremism than any other provincial area of China, with thousands of monasteries and temples destroyed and hundreds of thousands of Tibetan buddhists persecuted, many to death.

More fundamental to the present economic crisis has been the determination of the leadership to force the same economic policies on Tibet that were applied in the rest of the country.

Traditional Tibetan agriculture has revolved around a simple pattern of herding yaks, goats and sheep and cropping hill barley. But the Chinese forced most of the herdsmen into collectives and ordered mass planting of wheat.

The results of the policy can be seen today in the thousands of square kilometres of abandoned hill terraces across Tibet, leached of nutrients by unsuitable wheat strains and eroding into wastelands. Many thousands of Tibetans forced away from the traditional herding patterns are believed to have starved to death in successive droughts from the late 1960s.

Since 1980, the authorities have begun to dismantle the rural collectives in Tibet, in line with the national economic reforms. They have abandoned the disastrous winter wheat policy and have appointed a new (Chinese) local leadership. But the changes, crippled by three seasons of the worst droughts on record, have achieved only limited improvements.

As a result of increasing alarm about the situation within the Communist Party Central Committee, the senior leaders who visited last August ordered more radical changes.

The household has been restored as the basic unit of production and 90 per cent of agricultural families have been given leases over their land for between 30 and 50 years—at least double the most generous rural leases in the rest of China.

In addition, 95 per cent of families have been given animals to raise and the communal animal stocks have been broken up. Families are also being encouraged to undertake profitable sideline production and plans will be drawn up over the next five years to promote specialisation in new areas like fisheries and forestry.

Reform is also underway in industry, which has been even more retarded than agriculture, accounting for barely a quarter of Tibet's total output of $288m last year. Enterprises are being given more autonomy, individual Tibetans are being urged to start businesses and free markets are to be expanded.

Other provinces of China are expanding their trade and investment in Tibet, the border with Nepal is being opened up for much greater trade and tourism and the authorities have discovered the potential of western tourists, predicting as many as 200,000 a year by 2000.

But the Tibetans, who remain among the poorest people in China and who have suffered more than any other minority, have heard the talk before and still have little to celebrate.

THE ARTS

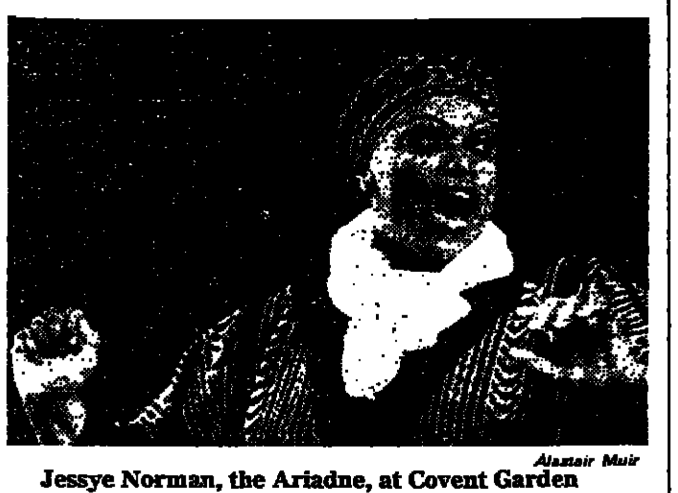
Ariadne auf Naxos/Covent Garden

David Murray

For all its tongue-in-cheek charm, the Strauss-Hofmannsthall *Ariadne* is a hard nut: many a producer has broken a tooth on it. It sets "problems," as they say, both practical and aesthetic; to a fertile mind an exciting variety of solutions seems available; few of them work. Neither of the main London companies has been lucky with the piece. This time, with sponsorship by Durrington Corporation, the Royal Opera shares a new production with the Paris Opéra.

This *Ariadne* is cast from strength, conducted by the RO's incoming Principal Conductor, and produced to the hilt by Jean-Louis Martinoty. The Prologue, in which the *opera seria* troupe and the *commedia dell'arte* players are forced fuming into collaboration, is chock-a-block with supernumeraries, elaborate mime, extra japes. The opera-within-the-opera, when it comes, has minimal props and the air of desperate improvisation (as in Dieter Dorn's inspired Salzburg version)—it is after all a one-off performance in a private *palais*. But Martinoty embeds it among a host of guests in masquerade drag, with the backstage people from the Prologue urging things on from the wings; and at the end a *coup de chic* has everything swallowed up by a vast starry tapestry.

Where the recent Coliseum version severed all contact between the hostile troupes (and thus the central nerve of the opera), Martinoty hauls them into continual confrontation, skirmishing onstage and off. Ariadne's solos — even "Es gibt ein Reich" — are beset by importunate comedians. Zerbinetta herself has to deliver "Grossmächtige Prinzessin" as the mere principal in a whole music-hall team number, with a picture-book catalogue of conquests like Don Giovanni's. Yet,



Alastair Muir

Jessye Norman, the Ariadne, at Covent Garden

despite resemblances to Joachim Herz's wicked, mickey-taking Dresden production (seen at Edinburgh), which was unconscionably funny, Martinoty's isn't; it is a richly dressed culinary event, *Ariadne als Luxus-Oper*.

Mostly it sounds splendid, as well it might. The Ariadne is Jessye Norman, hamming over the top in the Prologue, but later unleashing that magnificent voice to glorious effect — and with more intelligent passion that most Ariadnes can command. Her Bacchus is the bluff, reliable James King; much of the bloom has gone from his *Heldentenor*, but reliability in this brute of a role is something to be grateful for.

Kathleen Battle's Zerbinetta is immensely polished, musical, accurate and pretty. Her coloratura is of the *douce* variety, without the "ping" of more brazen, heart-on-sleeve Zerbinettas. Zerbinetta's heart is not on show here—the busyness of the production leaves no room for it, neither in her great set-piece nor in what should be (but isn't perceptibly) her demi-seduction of the Composer in the Prologue. Similarly, the anxious flapping prescribed to Norman Bailey's fine Music Master unfairly conceals his sage kindliness.

Perhaps the suppression of the Zerbinetta-Composer *rapport* is by design, for the Prologue here emphasises — especially musically—the young Composer-as-rapt-visionary. Ann Murray's winning portrayal, subtly and delicately accompanied by the conductor, Jeffrey Tate, has a lovely, private intensity, isolated among the professional stage-folk, if not the ultimate degree of mezzo fullness in the low register.

There is a goodish trio of Nymphs, and a first-rate team of Comedians, with Eric Garrett, Kim Begley and Wilfried Gahmlich attractively led by the remarkable young Olaf Baer. Robin Leggate's Dancing Master is a clever study. Tate is generous to his singers, and he points up many unfamiliar touches in the score with finesse. Nothing sounds brittle, and there is a good, earthy *Schwung* in the comic music;

Akhnaten/Coliseum

Max Loppert

On Monday evening the English National Opera became the first British company to mount an opera by Philip Glass. This is *Akhnaten*, first given at Stuttgart in March last year. It is in fact the American composer's third opera (although whether the first, *Einstein on the Beach*, the abstract pantomime devised by Glass and Robert Wilson, should properly count as such has been the subject of some dispute).

Akhnaten follows the Gandhi-inspired *Satyagraha* (1980) in aiming to be (in the words of the libretto introduction) "not a 'story' opera but an episodic-symbolic portrait of a historical personality whose visionary ideas dramatically changed the world around him." Akhnaten, Egyptian pharaoh from 1375 BC to 1358 BC, is one of the earliest "reformist" rulers on historical record. Having ascended the throne, he changed his name from Amenhotep IV to Akhnaten to mark his espousal of one god (Aten, an abstract concept symbolised by the sun).

He destroyed images of the old gods, built a new city, and with his queen, Nefertiti, ruled in enlightenment and peace until the threat of barbarian invasion roused dormant conservative forces to opposition. After his death, the old order was restored and his name reviled; but the hymns to the sun which survived from the period have made Akhnaten a notable figure for modern rediscovery, for they show that his concept of monotheism strikingly prefigured that of Judaism.

Ancient Egypt is a fertile plundering-ground for opera creators (it's a witty stroke of ENO planning to play *Akhnaten* in repertory alongside *Aida*). But Glass's opera, in three acts divided into 10 scenes with prelude and epilogue, is not at all in the Meyerbeerian Grand Opera line. The libretto, produced by the composer with four associates, traces the rise and fall of Akhnaten in scenes that avoid direct narrative presentation. For his words Glass has drawn on the ancient texts, sung mostly—except for the Act 2 "Hymn to the Aten"—in the original languages (spoken passages are in English). The intention was clearly to set the sequence of scenes in a timeless context, rather as Stravinsky's use of sung Latin set the myth of Oedipus.

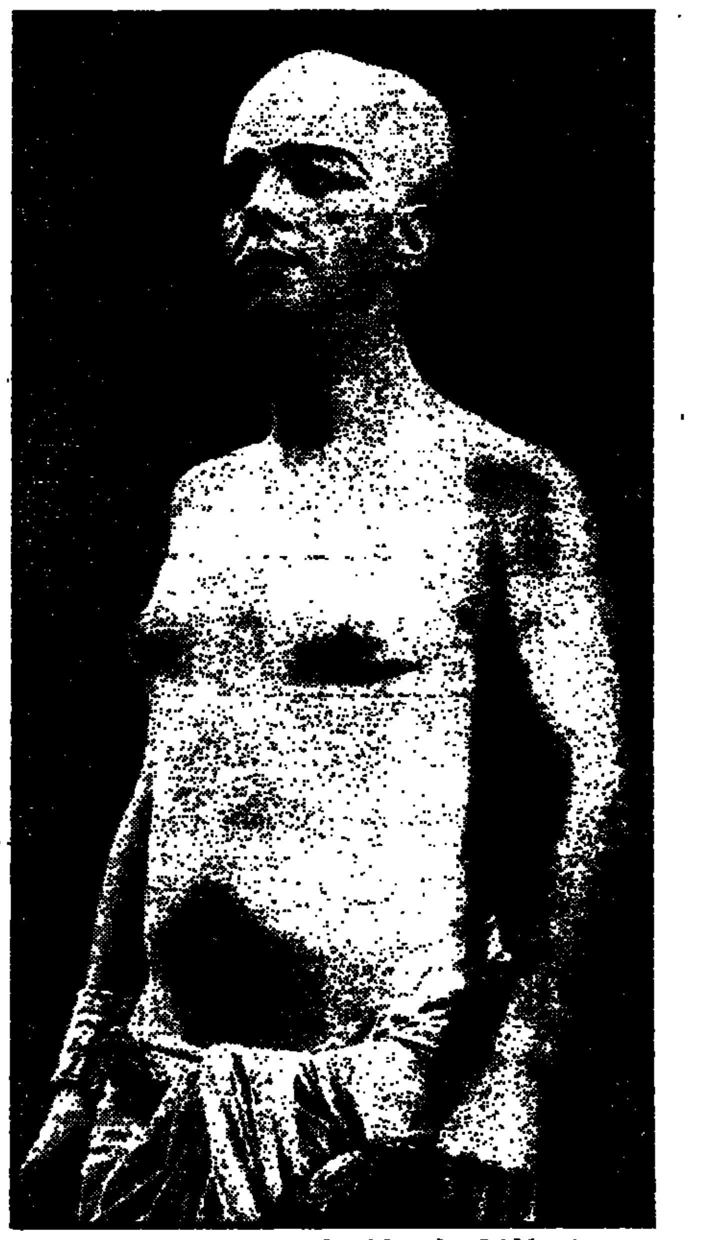
It is a libretto of procession, pantomime, ritual dance—but no action. To it, Glass's whole musical aesthetic proves apt and closely suited. Those who have followed the work of the American "minimalists" since their beginnings will find that the score of *Akhnaten* makes advances on the earlier, non-theatrical Glass in its increased command of subordinate elements—the range of available harmonies, rhythms and colour devices is enlarged, the use of voices is at once more ambitious and more conventional. Orchestra (plus harpsichord and percussion, minus violins) and voices (solo and chorus) lap luminously across one another; combinations are light, delicate and sophisticated.

But the underlying techniques of scenic construction are essentially those of Glass's original vein—infinite repetitions, slightly varied, of cell-like tonal statements, building up into long, patterned spans of tranced time. It is these techniques, above all, that will separate the *Akhnaten* fanatics from others in the audience perhaps overburdened by the progress of operatic history, and puzzled or even disturbed by Glass's slow-moving, serene, elegantly mechanised simplicities as the latest development in that long historical sequence.

If the whole of *The Ring* had been built according to the ground plan of *Rheingold's* opening E flat progressions, something akin to *Akhnaten* might have resulted: epic rendered as gently incantatory ritual. Much of it is beautiful. Some of it (the pulsating coronation and temple destruction scenes) is stirring. None of it is harsh or rebarbative. But on me the impression left by Monday's performance was one of mystico-chic, palatable, smooth and self-absorbed, not of a genuinely innovative act of operatic clarification and simplification.

It could be, however, that the impression was not an ideally accurate one, for the production by David Freeman — originally seen in Houston and New York —seems calculated to subvert the style and sense of the score at every turn. A composer's note in the libretto pardons producers' licence in advance; even so, intending ENO patrons should be warned that advance perusal of the libretto will prove no guide to what is actually seen on the Coliseum stage. The dramatic unfolding as implied by Glass's text and as demanded by his score would appear to be one of extreme spareness — static, carefully stylised of movement, played on a cleanly outlined set. Instead, the Freeman show fills up the spaces of the music with business of his own invention.

The treatment of the music has been rather more faithfully undertaken by Paul Daniel and the ENO musicians (not always quite together on the first night). And the cast is excellent: the countertenor Christopher Robson radiant in the title role (he is presented with elongated head and hermaphroditic breasts), Marie Angel, Sally Burgess (a lustrous Nefertiti), Graham Matheson-Bruce, Christopher Booth-Jones and Richard Angas.



Christopher Robson in the title role of Akhnaten

A Midsummer Night's Dream

Michael Coveney

What heresy was afoot? The Open Air Theatre had promised "a new concept" of *A Midsummer Night's Dream*. Good grief, the regulars would throw their cushions on the stage; how would the Japanese tourists take to a nude Titania on stilts or her body-popping fairy retinue, transexual lovers or an over-endowed donkey? Jan Knott and Peter Brook might have a lot to answer for.

Luckily, or if you like unluckily, the alarm was false. Admittedly actors mingle ominously with the audience, the cast remains onstage throughout the play and Peter Quince enquires after the interval: "Are you sitting comfortably?" This is all part of director Tony Robertson's "show in a skip" strategy, all a bit too redolent for my taste of Shared Experience and the RSC's *Nickleby*. But the air of casual informality is merely peripheral.

The *Dream* as a fit-up show is not, in any case, a good idea. Shakespeare got there first with the mechanicals' performance and that indestructible scene is here adorned with some splendid minor innovation: Quince turns up as Ninus' tomb, a gravestone tied on his head, and Thisbe's invocation of "the sisters three" results in a berserk trio in white robes crashing, just off cue, through the fragile scenery. At Monday's preview, the dusk gathered for a traditionally spectacular finale, the trees suddenly ablaze with fairy lights while Oberon's "Now until the break of day" is delivered as a baroque company chorale, intoned in a lush staccato.

These bonuses apart, the best reason for seeing the show is Vincenzo Nicoli's Bottom, one of the most endearing and genuinely energetic I have seen. Mr Nicoli, with a heavy-weight's build and a flattened nose, resembles a refined version of Alexei Sayle, and is obviously an actor to watch. He is both forceful and sympathetic, carving the weaver's mock heroic gestures as delicate extensions of his own bulk, gargoyles on the façade.

As is usual since Brook's production, Oberon and Titania are doubled with Theseus and Hippolyta, though in this instance without much reverberation. Patrick Ryecart plays both lords with a golden aristocratic languor and plummy voice, hitting a good mix of playfulness and disdain in the forest caper. Jenny Quayle sports a leopardskin for the Amazon and, as Titania, rolls around, not all that exotically, in a diaphanous green fairy number. John McAndrew is a nimble Puck, Titania's fairies a scavenging crew with jumble sale manners.

The pick of the lovers is Serena Gordon's Helena, compensating for an undeveloped comic technique with high spirits and attractiveness; Alyson Spiro belts out Hermia, but the production has not yet achieved a strong rhythm in the quarrel scene, although Mark Culwick as Lysander scores a big laugh when, on being kicked in the groin, he declares: "There's no following her in this vein."

In Nancy Meckler's Leicester *Dream* last year, the People Show were musical mechanicals and, following that example, Mr Robertson has encouraged the artisans to hit cymbals and bongo drums whenever the Shakespearian verse breaks into a jog-trot. I have a deep-seated aversion to this sort of thing, even if well done, which it is not.

Television/Christopher Dunkley

If it doesn't feel like summer it certainly looks like it

Summer is clearly with us at last: it is raining, England is playing Australia at Headingley, and the BBC has quietly packed the schedules with second-rate programmes in the hope that we shall all be so busy with cross-Channel ferries that we will not notice. The Corporation's reputation is saved by coverage of *The First Test*, but only just. It takes a whole day of immaculate outside broadcast work by Keith Mackenzie, Mike Adley and their team to offset the memory of something such as *Rachel and The Roarettes*.

But let us give credit where it is due and start by celebrating the Test coverage. Saturday was one of those marvellous English summer days which make up for all our dark winters and gloomy autumns. It dawned bright and sunny, causing people all over the country to hurry to their sitting rooms after breakfast and close the curtains in expectation of a full day's cricket. To our surprise we discovered that instead of the mystical restfulness of a series of electronic Constables from the Leeds cricket ground, with high cirrus against pale blue and then white flecks against vivid green, BBC 1 was bringing us the scarlet and gold bustle of the Horse Guards Parade, with Tom Fleming doing his splendid impersonation of Richard Dimbleby describing the *Trooping The Colour*.

In consternation we switched to BBC2 only to find an anxious-looking man talking about degradation schemes for cleaving molecules. Obviously the Open University. It turned out that, on the third day of a fascinating first Test, BBC Television intended to ignore the cricket until 12.20. Sadly we opened the curtains, letting in all that glaring sunlight and switched on Radio 3 so that we could, at any rate, savour half the pleasure of the occasion.

It has long been true that the best of all possible worlds for Test matches is achieved by switching on the television, turning down the sound, and playing the Radio 3 commentary over the pictures. There is, of course, the Brian Johnston problem. It would be heartening if Johnston, one of the chief radio commentators, could just once in a while refer to scorer and archivist Bill Frindall as "Bill" or even "Mr Frindall" rather than "Bearded" (short for "Bearded Wonder"). It would be even better if he could get through a whole session without messages to his off-spring in Australia, and best of all if he could stop his Bunter act with listeners' cakes.

"What is it about these cakes then, Brian?" asked one of his colleagues last week.

"I don't know, I don't ask for them, do I?" replied Johnston.

"Not more than eight times a day, no," said his colleague.

Despite all that or, to some extent, perhaps, because of it, the radio commentators do manage to convey in the course of a Test an odd sensation of relaxed familiarity so that the listener feels as though he is sitting in the pavilion, just out of sight of the game, with a friend calling out a description of what is happening on the field. If you use radio as your primary source and have a sedentary occupation it is quite possible to continue with your job, glancing round for the television pictures of the replays whenever a boundary is scored or a wicket taken.

Early on Saturday afternoon, of course, it would have needed a listener with a will of steel not to watch the pictures continuously as Botham, supported by the new wonder boy Tim Robinson, ripped into the Australian bowling attack. His performance while putting on 60 runs in 50 minutes, including a six over long-on which cleared the boundary at the three-storey level of the Press box, was the most electrifying bit of entertainment on television for months.

> The audience has not changed. What is wrong with the writers and producers? Thank goodness our cricketers can still entertain us

It is not only performances such as that, however, and the engrossing subtlety of the five-day game, which make Test cricket such good television. It is also the free flowing work of the BBC's OB (outside broadcast) crews. Monday afternoon's nostalgic clip of monochrome film showing Fred Trueman taking five Australian wickets for nought at Headingley in 1961 proved just how far OB techniques have come in 25 years. In the Trueman era you could watch either the bowler or the batsman, not both, and with what appeared to be fixed-focus lenses you had no hope of following the ball to the outfield, or even following the bowler on his run-up.

Today, with wide-angle and telephoto lenses, a square-leg camera, "inlays" to show the running between the wickets while the main shot covers the full field, and of course instant replays including slow-motion, not to mention full colour, the experience of seeing a Test on television is in some respects better than watching it live. While the spectators in the stand argue about whether the ball hit bat or pad we at home can distinguish quite clearly from the slowmo.

The expertise of the BBC's OB technicians is still, in my experience, unmatched anywhere else in the world. So far this year I have not once seen a cut to an out-of-focus camera; not once seen that amateurish focus-pulling which keeps everything consistently fuzzy as it tries to follow something in long-shot; nor once had the frustrating experience of moving along just behind the action instead of with it—errors which you will always see sooner or later (usually sooner) when watching sport in any other country, even including the US where televised sport is generally very good.

Sunday night's OB by Italian television direct from Reggio Emilia's glorious Teatro Municipale of the *Eurovision Young Dancer of the Year* contest showed how not to do things. The set with a heavy black horizontal line at the top of a raked stage ensured that much footwork was blurred. The unchanging dusky pink lighting was not good for television, and the limitations of the camera positions made for a monotony which ran right across different dancing styles. To make things worse Humphrey Burton, whose desire to impart his own enthusiasm can work very productively, seemed to be waffling uncharacteristically nervously.

It says a lot for the spirit and attractiveness of the young dancers—and for the infectious gaiety of what felt like a typical summery Italian occasion—that despite all this there was never any question of switching off. Usually in contests of this sort the judges seem to fall (astonishingly, being professionals) for the most superficial charms, and this occasion ran true to form: Aranchia Arguelles, at 14 the youngest competitor, did have astonishing stage presence and also a flash way with fouettés, even if the gramophone could not keep time with them as an orchestra can. But taken altogether her performance impressed us less than that of several others, especially the Norwegian youth Arne Fagerholt, who was ranked No 1 in our house. Gratifyingly the judges did place him second, so for once honour was pretty well satisfied.

Elsewhere the BBC's summer schedules have been filled far too often with the sort of programmes which nobody would dare screen in the autumn. In particular BBC2's "Summer Season" of single plays is showing vividly why Michael Grade was so loth to have them on BBC1. The opening production, *Long Term Memory*, by M. J. Read, had a deep sadness buried at the centre of its story about a solicitors' clerk who longed to be a dance band musician. It also had the best performance I have seen from Patrick Troughton. But it was yet another of those dramas which feel as though they have been worked up from a social worker's case-notes.

The second, *Rachel and the Roarettes*, was so embarrassingly inept that one was forced to conclude that there is now one standard for men, and another, much lower, for women. It is inconceivable that such stuff would have got past an initial read-through if it had been written by a man. It is, surely, desperately condescending to institute such dual standards; women cannot possibly want such a patronising form of head-patting. (Incidentally, did anyone else wonder why the face of the motorcycling nun was so carefully hidden? It could not have been, could it, that the raunchy Roarettes had to resort to a hated man for their motorcycle stunt shots?)

Why is it unthinkable that, instead of this sort of work, television should produce single dramas able to appeal to the public as powerfully as *Brief Encounter* or *The Third Man* or *Kind Hearts and Coronets*? The audience has not changed; what is wrong with the writers and producers? Thank goodness our cricketers can still entertain us.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 14–20

Theatre

NETHERLANDS

Amsterdam, Stalhouderij (Berste Bloemdwarsstraat 4). A solo double bill from Barbara McEly in French Gray by Josef Bush (Marie Antoinette's meditations on the night before she goes to the guillotine), and Chekhov's No Smoking (Wed to Sat). (26 22 82).

Amsterdam, Stadsschouwburg. Chinese puppet theatre (Fri, Sat). (24 23 11).

RA by R. Murray Schafer, directed by Thom Sokoloski, a theatrical journey (literally) from dusk to dawn based on the ritual of the Egyptian sun god. Starts in Amsterdam, Ijsbreker (Weesperzijde 23), by bus to Leiden, where the performance begins at sunset (Mon to Thur). (68 18 05).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Old Times (Haymarket): Pinter's 1971 reminiscent idyll has Liv Ullman and, in the best performance, Michael Gambon competing in the present and the past for a glacial Nicola Pagett. David Jones's smooth production is less monumental in tone than was Peter Hall's: the text is very fine and very funny. (930 9832).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

Other Places (Duchess): Colin Blakely and Dorothy Tutin in a reassembled trilogy of Pinter plays: A Kind of Alaska in which a victim of sleeping sickness awakes after 29 years; Victoria Station, a funny throw-back to Pinter's early revue sketches; and last year's One for the Road, a chilling piece of intimidatory police state confrontation with first Pinteresque intimations of political despair. (836 8243).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

CHICAGO

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Pirandello classic. Ends July 14 (443 3800).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best histrionic Sarah Bernhardt role on Broadway today. (944 9450).

TOKYO

Takarazuka All-Girl Revue: The Matador of Cordoba and Lumière. This 100-strong troupe is famous for its spectacular musicals and elaborate effects. The antithesis of Kabuki, where girls play the men's roles, as a uniquely Japanese phenomenon, Takarazuka are worth seeing and provide an entertaining evening if only for curiosity value. Detailed English programme notes assist the following of often highly improbable plots. Takarazuka Theatre, near Imperial and Palace Hotels and Ginza. (591 1171).

Saleroom/Colin Amery

Record price for vases

A world record price of £418,000 was paid yesterday for an important pair of Imperial Famille-Rose vases of the Qianlong period at the Sotheby's sale of Chinese ceramics and bronzes. These vases had the all-important and rare four character marks and were decorated with delicately painted branches of blossom and rocky landscapes.

A twice-lifesize carved wooden figure of Guanyin of the Northern Song dynasty went to the dealer Eskenazi for £242,000 (estimate £150,000-£250,000). This was a remarkably carved robed figure with traces remaining of early coloured decoration. The Hong Kong dealer Robert Chang was active at the sale, paying £68,200 for a finely painted Ming blue and white ewer, similar to a fine example in the British Museum collection. Chang also bought the blue Qianlong jar and cover for £28,600, an unusual example following much earlier Ming prototypes.

A pair of finely modelled Wanli figures of immortals fetched £68,000, well above the estimate. A Hong Kong collector paid £60,500 for a greenish-grey glazed Song dynasty fix lobed dish—as good an example as any in the Taiwan National Museum.

The high quality of the ceramics in this sale ensured that it was not affected by the recent flood of illegally exported wares from China. The total for the whole sale was £1,336,016 with premium and some 14.6 per cent of lots were unsold.

At Christie's a modest sale of English water colours and drawings reflected continued buoyancy in the market. A good example of the work of Archibald Thorburn, *A Mallard By a Lake in Snow*, almost a classic of its type, sold for twice the lowest estimate and went to dealer Malcolm Innes for £10,800.

An interesting album of drawings, water colours and prints by members of the London Sketch Club that had been presented to John Dingwall Hassall in 1899 was sold by his widow for £2,700 to the dealer Beetles. The London Sketch Club was founded in 1898 and included many contemporary cartoonists, amongst them Cecil Aldin and H. M. Bateman. The same dealer paid £1,944 for an amusing example of the work of William Heath Robinson entitled The Baby Seller.

The total for this sale, which included a series of water-colours of Venice belonging to the Canaletto expert J. G. Link, was £72,948 and some 11 per cent was brought in.

UK NEWS

Industrial output rises to peak level for 5 years

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

UK INDUSTRIAL output rose in April to its highest level for more than five years, according to the latest figures from the Central Statistical Office yesterday.

They showed that total output, including oil and coal, has at last climbed back to the average level reached in 1979, at the peak of the last business cycle. However, output is still slightly below the level reached in the second quarter of 1979, when production was boosted by the recovery from the strikes in the so-called "Winter of Discontent."

In the three months to April, total output *grew by 2½ per cent*, compared with the previous three-month period, partly as a result of the recovery of coal production after the ending of the miners' strike.

Manufacturing output also increased in the latest three months, to a level which was 1.2 per cent above the figure for the previous three months and 2½ per cent higher than a year earlier.

In April, manufacturing output settled back slightly from the buoyant March figure to a level which is still 7 per cent below the average for 1979. The figures show that in the manufacturing sector, the fastest increase in recent months has been in the capital goods and intermediate goods categories.

That is consistent with recent survey evidence showing that company investment has been moving ahead quite rapidly. In the three months to April, production of capital goods was 6 per cent higher than in the first quarter of last year. Production of intermediate goods, which includes components, also recovered in recent months – but only to a level about the same as that for this time last year.

The latest production figures seem to confirm the optimistic picture of continued recovery suggested by the most recent survey by the Confederation of British Industry. That showed that order books had reached record levels, but there was some expectation that the pace of growth in output would slow.

BSC back to profit after pit strike

By Andrew Fisher

BRITISH STEEL made "a modest profit" after interest in the first two months of this financial year, after recovering from the impact of the miners' strike, Sir Robert Haslam, the chairman, told the House of Commons Trade and Industry Committee yesterday.

The strike cost BSC some £180m and delayed completion of its corporate plan, which Sir Robert said "we are anxious to get clear by the end of July." He declined to be drawn on a possible closure of the Ravenscraig strip mill in Scotland, already reprieved by the Government.

Without the miners' strike, BSC would have made a small profit after interest for the financial year to March 31 1985, considerably better than the Government's target of break-even before interest.

Questioned on the planned closure of the Tinsley Park engineering steels plant in Sheffield, Mr Gordon Sambrook, head of the BSC general steels group, said this would save some £12m a year in fixed costs.

There had been major productivity improvements at the plant, employing 800 people, but demand for special steels was expected to remain flat or slacken, he said. The UK market for engineering steels had dropped in less than a decade by 1m tonnes from 2.5m.

The cost to BSC of the closure would be recovered in just under a year. Mr Sambrook was confident all the work could be transferred to other BSC plants, but even with the closure, there would still be too much UK capacity.

Inquiry proposes controls on cash gifts to parties, writes Peter Riddell

'Declare donations,' says report

A VOLUNTARY code to govern donations to British political parties by companies should be supplemented by changes in the law to provide a statutory limit on parties' expenditure in general elections.

Proposals for closer consultation by companies with shareholders and greater disclosure about political contributions generally are recommended in a report on company donations to political parties produced by a working group of the Constitutional Reform Centre, a research and lobbying group whose president is Lord Scarman, and the Hansard Society for Parliamentary Government.

The main theme of the report is the position of companies in making donations to parties. It notes *that less than a quarter* of medium and large companies make such contributions, although they account for 55-60 per cent of central Conservative Party funds.

The members of the working party believe that "the financing of the political process is too dependent on money provided by institutions such as trade unions and companies." But they believe that it would be "illiberal and ineffective to prevent company donations" and instead have proposed a voluntary code in the hope that boards will recognise that "a decision to give to a political party is a decision distinct in kind from other decisions of management and requires special validation."

The report notes recent legal cases (particularly Simmonds v Heffer of 1983), which indicate that a company cannot rely solely on a general objective in its memorandum and articles of association to authorise political donations, and there should be explicit authorisation as well as an ability to show that a donation is in the company's interests.

The working party believes that, within the current law, validation for such *donations should* be by shareholders at an annual general meeting and that the board of a company wishing to make political donations should place before its shareholders a statement of why it considers such an action to be in the interests of the company, and should seek approval of the statement at an AGM at least once during the life of a parliament. Although such a statement should be regarded as authorising political donations for the period of its validity, some *companies will wish to* poll on each individual donation as well.

The working party also recommends that companies that make political donations should keep them in proportion, neither giving too much in relation to their own turnover and profits, nor accounting for too large a part of a party's income.

A further recommendation is that companies that make political donations should do so openly, and without the use of conduits. That is proposed in order to increase openness and to ensure that all donations are declared that companies know to be party-political in purpose. That is to deal with donations given via intermediary bodies and payments disguised as trading items such as the purchase of advertising space or the supply of services at favourable rates.

Alcohol sales forecast to rise

BY LISA WOOD

THE GROWTH in the consumption of alcohol that has occurred over the past 30 years will continue into the 1990s but more slowly, according to Staniland Hall, the business forecasters.

Britons drink on average the equivalent of 12.5 pints of 100 per cent alcohol a year and that is expected to be about 14 pints by 1990, Staniland Hall says in a report on the UK market for beer, wines and spirits.

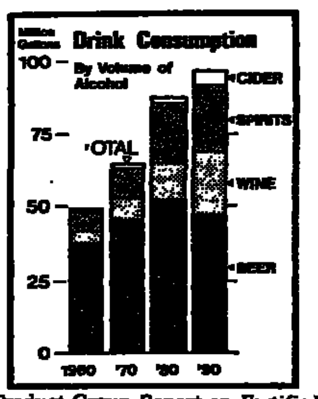
"This is still much lower than in most (European) continental countries," the report says. By comparison, Belgians drink 18.7 pints per head of 100 per cent alcohol, the French 23.9 and the West Germans 21.5.

The report states that, in Britain, "the general tendency is for modern life to move away from heavy industry and large volume drinking to lighter industry and a lighter style of drinking and of drinks."

In a separate report, Market Assessment Publications says that unless sherry and port can widen their appeal, their future does not look promising.

Sherry in particular, the report states, is suffering from the trend away form short, sweet drinks, while port sales are still seasonal. "Unless port can be promoted as an all-year drink, further increases in consumption will be limited."

The UK Market for Beer, Wines and Spirits to 1990: Staniland Hall, 42 Colebrooke Row, London N1. £125.



Product Group Report on Fortified Wine, Market Assessment Publications, 2 Duncan Terrace, London N1. $165.

BS pays £35m for late delivery of oil rig

BY IAN RODGER

BRITISH Shipbuilders (BS) has paid a £35m penalty for the late delivery of a £78m oil rig to British Petroleum built at the Scott Lithgow yard on Clydeside, Scotland.

But state-owned BS remains in dispute over the yard's assets with Trafalgar House, the shipping and construction group that bought Scott Lithgow in March last year. Mr Norman Lamont, the Industry Minister, said in answer to a parliamentary question this week that the auditors of BS and Trafalgar House "have been unable to reach agreement" on the Scott Lithgow completion accounts.

At the time of the sale, BS agreed to make a provisional £82m payment to Scott Lithgow "so as to increase the net assets to a specified amount." That amount was to be adjusted, "dependent on the net asset value shown by the audited completion accounts."

BS also agreed to reimburse Scott Lithgow for repair costs to certain leasehold properties, estimated to be about £3m.

Mr Lamont said the dispute had been referred to an independent expert for determination as agreed under the terms of the sale.

The £35m payment was made under another provision in the Scott Lithgow sale, stating clearly that BS was liable for any penalties for late delivery of an oil rig for BP that was only partly built at the time.

● Mr Graham Day, chairman of BS, said yesterday that the corporation's results, due to be announced on July 24, would show the trading loss to be "a little bit better" than previously forecast, Brian Groom writes.

Since November, BS has said the loss is not expected to exceed £50m in 1984-85 after £161m the previous year. The bottom-line loss will include exceptional items such as the cost associated with the BP oil rig built at Scott Lithgow.

Mr Day said he was "reasonably confident" of better results this year. He also said BS was on course to achieve the privatisation of warship yards by its target date of March 1986.

Productivity increased by about 5 per cent last year, which Mr Day said was "pretty remarkable" in a depressed world market. Orders increased by 72 per cent.

Mr Day said he hoped there would be no more redundancies but he could not guarantee that, given the state of the world's market. When privatisation of the warship yards was completed, BS would be down to 10,000 employees.

Minister condemns U.S. legal moves on high-tech exports

BY WALTER ELLIS

MR GEOFFREY PATTIE, Britain's Minister of State for Information Technology, spoke out strongly yesterday against renewed attempts by the U.S. to apply its domestic laws on the export of electronic equipment and technology outside America.

Speaking at a Financial Times conference on world electronics in London, Mr Pattie said: "This is a claim which neither the United Kingdom nor, I suspect, any other country can accept."

"I therefore very much regret that, despite the representations of all of the main allies of the U.S., the Export Administration Act seems likely to be renewed in a form which will continue to permit the extraterritorial application of export controls."

America had shown itself more willing to listen to its friends recently, the minister added, but "a long-term solution [to difficult cases] is still dependent on the U.S. accepting a more modest view of the limits of its jurisdiction and for this to be reflected in future legislation."

Dr Stephen Bryen, deputy assistant secretary for international economic trade and security policy at the U.S. Department of Defence, touched on a related theme when he spoke over lunch about licensing in the export area.

The Defence Department, he said, was now looking at ways of simplifying its high-technology licensing system so that, instead of examining every single licensing application, the department would compile a list of "verifiable end users." The Bank of England, for example, should not have to have its *licence renewed each year, Dr Bryen said.*

FINANCIAL TIMES
World Electronics
CONFERENCE

Viscount Davignon: "Common standards essential"

Viscount Etienne Davignon, former vice-president of the European Commission in charge of industrial affairs, energy and research, and conference chairman, observed that standardisation in the field of information technology was essential if international co-operation was to hold any significance. The existence of national standards was a means of maintaining a captive market without admitting it, he said. Global isolation would be the result of a failure to establish clear links between information networks.

Mr Malcolm Penn, vice-president of Dataquest and director of the London-based European Semiconductor Industry Service, concentrated on the outlook for the world *semiconductor industry, which, he* said, had gone through a "catastrophic" period last year as a result of reduced demand, oversupply and plunging prices.

One reason for the collapse, Mr Penn said, had been an extraordinary surge in investment in semiconductor manufacturers. Between 1977 and 1983, the amount of venture capital injected in the sector had risen from $600m to $19bn, with little impact on the technology. Investment had simply run amok, leading to overcapacity on the market.

However, while he expected 1985 to show about an 11 per cent fall in the worldwide semiconductor market, for 1986 he forecast a growth of 18 per cent. The semiconductor industry always bounced back.

Mr Kaspar Cassani, chairman of IBM Europe, said certain conditions had to be met if Europe was to participate fully in the growth of its own and the world's information technology industry. Those included a heavy emphasis on research and development, combined with improved cross-border co-operation to minimise duplication of effort; promotion of a more homogeneous European marketplace through the removal of non-tariff barriers; and more liberalised telecommunications policy.

Mr Philip Hughes, chairman of Logica, told the conference that Europe's computer *services industry* was growing less fast than its competitors in the U.S. and Japan. Europe was also losing its share of the vital software market, and only one company was among the top ten software/services suppliers in every western European company: IBM.

The sheer size of the American information systems market was emphasised earlier by **Mr Robert Casale**, executive vice-president of AT&T.

This year, he said, American businesses would spend more than $250bn on information products and services. About 44 per cent of the total would be spent on data processing products and about 7 per cent on telecommunications equipment, AT&T's traditional market segment.

Scintronix seeks £½m for N. American exports drive

High-technology companies based in the UK which depend heavily on exports face special problems in breaking into new markets, **Mark Meredith** discovers.

SCINTRONIX, maker of £100,000 gamma cameras used for medical diagnosis, is confronting the special difficulty of its product and location in developing its business.

This situation is echoed by Mr Paul Woods, managing director of the company, which is based at Livingston, near Edinburgh: "We are an illustration of the problems of developing a high-technology company from a UK base."

The company is heavily dependent on exports, with a small British market made smaller by the National Health Service cuts. It is currently seeking around £500,000 in new finance from venture capital funds and other financial institutions to aid the setting-up of North American sales and service subsidiaries in Chicago and Montreal.

Scintronix's need for an export market illustrates one of the difficulties faced by indigenous high-technology companies in Scotland.

Some supply the large multinationals resident in Scotland like IBM, Honeywell or Hewlett Packard, which in turn use their Scottish base as an entry point for the European market.

Others, like Scintronix, with a product to sell to end-user customers instead of trading within the industry, must aim for exports. Only a small fraction of their goods will be sold in Scotland or the rest of the UK.

Before 1983, when Scintronix was 70 per cent owned by the Swiss-based Scintag Berthold company, it had its eyes firmly set on the European market, and especially West Germany.

Then came a management buy-out by Mr Woods and his co-directors, which gave them independence but also removed the company's main route to the continent. The buyout was backed by Investors in Industry, which took a 45 per cent stake.

Only 40 of the cameras, which use computers to trace radioactive isotopes injected into the body with the image computer enlarged for diagnosis, have been installed in Britain since 1980. Such a rate could not sustain the company. "We had to get into the U.S. market where between 700 and 1,000 of these machines are purchased every year," Mr Wood says.

The company learned lessons by using agents in the United States.

The U.S. agent used the gamma cameras to offer hospitals a diagnostic equipment package, but the Scottish company's equipment would often lose out in a compromise agreement in which one of the agent's products had to be dropped in the negotiations.

"The timing for this U.S. expansion could not be better. The dollar is right and the size of the U.S. market equals the rest of the world put together," Mr Woods says.

The setting-up of the Montreal sales and service subisidiary comes as the company has won a C$600,000 (£344,234) order from Beauville Hospital in Quebec for two gamma cameras and one computer.

State benefit change attacked in Commons

BY MARGARET VAN HATTEM

THE GOVERNMENT's decision to exclude child benefit from its general uprating of social security benefits in line with inflation came under concerted Opposition attack in the House of Commons yesterday.

Announcing the annual uprating of benefits, Mr Norman Fowler, Social Services Secretary, said that child benefit would rise by only 15p a week – an increase of barely 2.2 per cent, while pensions and unemployment benefits would rise by 7 per cent and supplementary benefit by 5.1 per cent.

The Government, he said, felt benefit should be maintained for all children but it gave higher priority to helping families on lower incomes. With this in mind, it was increasing family income supplement for families with older children by up to £3 a week more than was needed to keep in line with inflation. But the decision not to index child benefit, he later confirmed, would bring a net saving of £175m in a full year.

Mr Michael Meacher, Shadow Social Services Secretary, immediately challenged the figure. The Government, he said, had targeted women and children as the first losers in its Green Paper (consultative document) on social security and would deprive them of £220m in a full year.

It was, he said, a sign of worse to come – "the Government would rather cut cash to children than cut tax perks to the rich."

Other main points in yesterday's announcement include:

Fowler: priority for low-income families

- 7 per cent increase in pensions, unemployment benefits and family incomes supplement, which the Government is pledged to maintain in real terms.
- 5.1 per cent increase in supplementary benefit, which would match the retail price index, excluding housing costs for which benefits are received.

Mr Neil Kinnock, leader of the Labour Party, said the proposals in the Green Paper would impoverish and divide the whole country.

Dr David Owen, leader of the Social Democrats, warned that the Government's proposals to end the state earnings-related pensions scheme (Serps) would throw pensions back into a political cauldron in which pensioners would be the innocent victims.

Scientists call for cut in cost of Cern

By Raymond Snoddy

BRITAIN should pull out of the European Organisation for Nuclear Research (Cern) after 1989 unless the cost of membership can be significantly cut, a committee of UK scientists recommended yesterday.

The committee, set up by Sir Keith Joseph, the Education Secretary, found that the UK's contribution to Cern – set at £37.9m for 1985-86 – meant that other important areas of research were being underfunded or neglected.

Cern, Europe's oldest scientific collaboration project, which brings together 13 states, spends about £220m on the "mysteries of the infinitely small." It has a world reputation as a builder and operator of particle accelerators for atom-smashing experiments.

Britain pays 16 per cent of the costs of Cern, the third highest contribution after France and West Germany.

The committee, chaired by Sir John Kendrew, said the UK would be looking for progressive reductions in its contributions to Cern, reaching a total of 25 per cent in 1991-92.

Domestic spending on particle physics should also be cut by 25 per cent by 1990-91, according to the inquiry, carried out jointly by the Advisory Board for Research Councils and the Science and Engineering Research Council.

Sir John said that Cern should either seek more members or save money by "building a new machine every 15 years instead of every 10 years."

Austin Rover plans onslaught

Arthur Smith explains why sales are at the core of Austin's Rover's problems and how the deal with Honda might change its fortunes.

AUSTIN ROVER, the volume car subsidiary of state-owned BL, has called all its dealers to a meeting at the Longbridge car factory, Birmingham, tonight where it will unveil details of what one executive described as "our biggest ever sales onslaught on the UK market."

Television commercials will start tonight and run right through the next 10 weeks, peaking in August, the key month of the new registration letter when around 20 per cent of annual sales are made.

BL's volume cars company which last year jumped into the top 20 UK advertisers with expenditure of more than £9m is likely to top that figure this year. Dealers will be left in no doubt about the importance of this campaign which is likely to be backed with cash for sales incentives.

Indeed, sales are at the core of the Austin Rover's problem and the cause of more than six months spent by various government departments dissecting the latest five year corporate plan, approved this week.

The analysis is simple: Austin Rover is not selling enough cars to gain the volume throughout at its two major assembly plants at Longbridge and Cowley, Oxford, to generate sufficient profit to finance the scale of investment required.

The company has taken all the painful actions to reduce the cost base, close factories, shed labour, raise productivity and invest in the latest flexible manufacturing systems. Austin Rover could start to trade profitably at sales of around 435,000 a year but that would require a UK share of a little over 19 per cent on a market projected this year at around 1.72m.

Last year sales at 423,000 returned a £26m trading loss. If Austin Rover were able to hit a sales figure of around 600,000 it could generate the profits to finance its current investment programme. The big imponderable was and remains when and how the present gap can be filled.

Alarm bells were set ringing among those considering the corporate plan in Whitehall and Westminster earlier this year by Austin Rover's failure to make the long awaited sales breakthrough. The company entered the year with the powerful model range – Metro, Maestro, Montego – it has always argued was the precondition for advance.

The latest figures show, however, that up to the end of May Austin Rover had improved only marginally with total sales up by only 3,500 and market share at 18.38 per cent against 18.03.

Admittedly the performance has to be judged against what is a cut-throat market with importers still gaining market share and Ford and General Motors offering dealer incentives. It seems likely that Austin Rover has had to sacrifice profit margins through advertising and incentives just to hang on to what it already holds.

Nor is the picture any brighter in Europe, a crucial sector if Austin Rover is to reduce its heavy UK dependence. Sales last year slipped below the 80,000 of 1983 and seem unlikely to make much headway in a fiercely competitive market clouded by arguments about exhaust emission controls.

Austin Rover, with its plan bogged down by Whitehall criticism in March, was able to pull a rabbit out of the hat by giving details to the Department of Trade and Industry of two outline proposals for further collaboration with Honda of Japan.

The first was a joint venture to design and develop a new medium range car, code named the YY, to replace the present Maestro and Rover 200 models. The deal, along the lines of the XX project to provide a new executive car to be launched by Honda in Japan later this year and by Austin Rover early in 1986, offers BL a quicker lower investment cost route to provide a new model in the crucial medium car sector.

Important as the venture might be, it could again be construed by cynics as yet another example of "jam tomorrow." The new vehicle will not hit the UK market until the end of the decade.

It will provide a valuable weapon for Austin Rover's attempts to break back into the U.S. market. But on a realistic timescale it seems unlikely to be available in America until at least three years after the XX, which does not go into the U.S. until 1987.

The second proposal, that Austin Rover should assemble Honda cars on a sub-contract basis in the UK, offered the attraction of an immediate volume to boost throughout and profitability. Output of around 50,000 to 100,000 a year has been mooted but the details have still to be negotiated and Honda seems to be taking a very cautious approach.

It seems possible that the Ballade, the Honda version of the Rover 200 model assembled at Longbridge could go into production at the Birmingham plant next year. But Honda suggestions that initial volume might be only around 4,000 to 5,000 a year would do little for Austin Rover.

Ironically, should Honda warm to the idea of Longbridge assembled models which, assuming they had sufficient UK content, would escape the present gentleman's agreement on Japanese imports, Austin Rover would have introduced yet another competitor into its home market.

Honda, which has so far maintained a public silence on its long-term intentions in the UK, has a strong negotiating hand. It has acquired a 330 acre site in Swindon, ostensibly for pre-delivery inspection of Honda-badged cars and for assembly of engines going into those vehicles and the current Rover 213.

But the longterm strategy could be to establish during the 1990s a full car assembly operation from which to attack the European market. For the present, Honda can operate on an experimental basis, initially handling Japanese engines but progressively turning to UK suppliers and eventually moving towards local machining and manufacture.

For no equity stake or capital outlay Honda has in Austin Rover an assembler of its cars to assess market acceptability and potential. At Swindon it can establish a management base to obtain a European presence and strengthen its dealer network while keeping all its options open.

BBC to reorganise television channels

By Raymond Snoddy

THE BBC is planning a fundamental reorganisation of television management which would result in the abolition of the present system of separate controllers for BBC 1 and BBC 2.

Mr Bill Cotton, managing director of BBC Television, wants to have a new system of controllers responsible for programme areas such as drama and sport rather than channels.

The proposals are expected to go before the board of governors next month for a decision in principle amid growing signs that they are likely to be accepted.

Implementation of one of the most radical shake-ups in BBC television management in recent years would, however, take longer.

Mr Cotton's plans, which have been under consideration for months, received a boost in the review of the BBC's efficiency carried out by Peat Marwick Mitchell, the management consultants.

Peat Marwick welcomed the proposals "in as much as they redress the real problem of fragmentation in programme departments."

The present controllers of BBC 1 and BBC 2, Peat Marwick pointed out, have 22 different programme sources to choose from. Four or five programme controllers, Peat Marwick suggested, could reduce over-specialisation in programme departments and increase the flexibility in using programme-making capacity.

Spending on export credits rises £123m

BY PETER RIDDELL, POLITICAL EDITOR

GOVERNMENT support for the Export Credits Guarantee Department in the current financial year is being raised by £123m, or nearly a fifth, only three months after the original estimates.

That largely reflects the department's exposure to increases in interest rates.

Revised and summer supplementary estimates, presented to parliament yesterday by the Treasury, in total amount to a net increase of £748m in public expenditure. That consists of £258m to be met from within existing programme totals, some £350m from increases in programmes charged to the contingency reserve and £140m representing an increase in the public expenditure planning total.

Among the other supplementary estimates, the Treasury is seeking £270m additional provision to pay agricultural levies and customs duties to the EEC, roughly one month earlier than normal. That has become subject to intense controversy in view of Government's Bill on EEC payments published last Friday.

In addition, the Government is seeking £129m to finance increased intervention buying of cereals and butter to take account of revised forecasts of purchases.

- The Public-Sector Borrowing Requirement (PSBR) in May is provisionally estimated to have been £1bn, the Treasury said yesterday, **Max Wilkinson writes.**

That takes the cumulative borrowing requirement for the first two months of the current financial year to £2.8bn, compared with £3.6bn in the same period last year.

The borrowing figure was close to City of London expectations. The May PSBR is likely to have benefited from the proceeds of the British Aerospace share sale, but seasonal influences contributed to keeping it relatively high.

It is extremely difficult to tell at this stage of the year whether any month's PSBR figure indicates that the Government's finances remain on the course laid down at the time of the budget in March.

Nevertheless there are some worries in the City that the strength of the pound, which will tend to reduce the sterling value of oil revenues, and the higher than expected inflation figures, will put pressure on the Government's finances later in the year.

Funds of NUM stay in Dublin

THE SEQUESTRATORS and receiver of the assets of the National Union of Mineworkers (NUM) and the union itself have all failed to gain control of £2.75m of NUM funds frozen in a Dublin bank.

The Irish High Court decided yesterday that, for the time being, the money should remain frozen in an account with Bank of Ireland Finance.

Mr Justice Donal Barrington rejected the claim to the money made by the sequestrators, four partners in accountants Price Waterhouse, because, he said, sequestration was a foreign penal order that would not be enforced by the Irish court.

□ SCOTTISH clearing banks are threatened with their first national industrial action for more than 50 years over a 6.5 per cent pay offer.

The Federation of Scottish Clearing Bank Employers and the Banking, Insurance and Finance Union are due to meet tomorrow.

□ H. P. BULMER, the Hereford cider maker, is to distribute Orangina, France's best-selling soft drink, in Britain.

The venture is part of Bulmer's strategy to reduce its reliance on cider, sales of which are now static after tremendous growth in the early 1980s. The brand is owned by Pernod-Ricard.

□ SIR ROBERT ARMSTRONG, head of the Home Civil Service, yesterday took the unprecedented step of publicly defending the Prime Minister against accusations that she fills top Whitehall jobs with political sympathisers.

Sir Robert denied suggestions that there was a "process of crypto-politicisation at work in senior appointments to the public service" in Britain.

□ FRAMES TOURS, the family-owned coach and travel agency group, is expected to announce shortly the sale of its chain of 40 retail shops.

Thomas Cook, the Midland Bank subsidiary, is the expected buyer. It bought British Caledonian's Blue Sky retail division last week and the acquisition of the Frames chain would bring the Cook retail chain to 400 outlets, seen by the industry as the optimum number for national UK cover. A price tag of between £3m and £4m is expected for the Frames chain.

□ MR DAVID GARLICK has been relieved of his post as group chief accountant of Barclays Bank. A bank spokesman said there had been no question of misbehaviour, but he declined to give the reasons.

□ SEVENTEEN Conservative MPs voted against the Government over its plan to expand Stansted airport in Essex as London's third airport. They were concerned about noise and the effect on regional airports.

Despite the rebellion, the Government easily defeated opposition amendments in a debate on its airports policy.

□ SALES of unit trusts reached a record high in May, helped by the launch of 14 new funds, according to the Unit Trust Association.

The sales of new units in May rose to £374.8m, £100m more than in April. The value of units cashed by investors fell by £50m to £148.7m.

The net new investment in the sector of £226.1m was a record and boosted total funds under management to £16.8bn.

Lawson says Bank set JMB rescue terms

BY DAVID LASCELLES

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday distanced himself from the Bank of England's handling of the rescue of Johnson Matthey Bankers only 48 hours before he is due to make an important statement about banking supervision in the UK.

In a letter to Mr Tony Blair, the Labour MP who has been pressing the Chancellor over the £100m deposited by the Bank with JMB to aid its funding, Mr Lawson said: "The Governor of the Bank of England has traditionally enjoyed a large measure of independence in these matters. It is his responsibility to reach a judgment in individual rescue cases and, in doing so, the funds which he commits are the Bank's own resources and are not funds voted by parliament."

Mr Lawson's letter and his overt distancing from the Governor of the Bank seem certain to raise the political temperature on the issue ahead of the Chancellor's imminent statement on banking regulation in the light of the JMB affair.

In a reply to Mr Lawson last night Mr Blair, one of Labour's Treasury team, said that the conduct of both the Bank and Mr Lawson had been "secretive and evasive to a quite unacceptable degree." He said that Mr Lawson was accountable to parliament for the governor's actions and he should not try to shuffle off his responsibility on to the governor.

Mr Lawson will tomorrow be reporting to the Commons on the results of a six-month inquiry into banking supervision in the UK by a committee set up by the Treasury and the Bank after the JMB affair. It is likely to recommend changes, including a more active role for bank auditors in scrutinising the activities of banks.

The Bank will also tomorrow be releasing its version of the JMB events in the form of an annex to its annual report.

The £100m deposit is to be capitalised as part of the restructuring of JMB. In addition, JMB needs a capital injection of £85m to cover its losses, half of which is coming from the Bank and half from a group of UK banks.

Nivison joint venture

BY JOHN MOORE, CITY CORRESPONDENT

R. NIVISON, the London-based stockbroker, has formed a joint company with Bank Centrade, the Swiss bank. The new company will be a subsidiary of Nivison and will become a limited corporate member of the London Stock Exchange.

Bank Cantrade will own 25 per cent of the new subsidiary with Nivison holding the balance of the equity. Once Stock Exchange rules are finally relaxed and outside interests will be able to own up to 100 per cent of member firms, Bank Cantrade is expected to lift its stake to near 50 per cent, while Nivison intends to retain a controlling stake.

The new company will provide international financial asset management and advisory services as well as securities dealing and settlement.

Nivison, founded in 1886, does not intend to make markets in securities and will be concentrating on developing the agency side of the business.

FINANCIAL TIMES

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Wednesday June 19 1985

Battles over spending cuts

WHEN THE Chancellor of the Exchequer provided a contingency reserve of more than £5bn in his March budget plans, *ministers may have hoped for* their first summer since coming to office free of the usual agonies over public spending; but readers of the small print were already noticing that the large reserve was there for a good reason. The public sector pay assumption looked more than usually over-ambitious. The oil revenue projections, cautious in previous years, looked exposed in a year in which both the oil price and the dollar looked unusustainably high. Interest rates, by contrast, have proved only too sustainable.

As a result, the reserve is almost entirely pre-empted before any really unexpected *contingencies have* had time to occur. The effort to repair what appear to be dangerous breaches in fiscal discipline will give ministers the usual uncomfortable summer. The discomfort will be increased by the knowledge that the Government's public standing has dropped and that time is running short to find room for tax cuts.

This annual ritual has probably done more than anything else to undermine the public standing of the Government. Ministers have earned all the odium of ruthless economy without actually achieving the savings which might make it seem worthwhile. The realisation of this fact already seems to be affecting government rhetoric; ministers take credit for job saving or job creation, while the Chancellor tells us that the targets for public borrowing, like those for Sterling M3, are not written on stone.

If this simply amounted to an effort to put the best possible *face on things, it is not likely* to do much economic harm—or much political good. If fiscal neutrality is defined as that level of borrowing which leaves the real burden of public sector debt unchanged, there is room for some slippage this year—an overshoot of £1bn to £1½bn would leave a neutral balance, after allowing for privatisation.

If weak oil prices are a sign of faltering world demand, and recent signs of weakening consumer and investment trends at home are confirmed, there could be a further involuntary overshoot reflecting the cycle rather than policy.

Politicaly, however, a passive acceptance of unplanned borrowing, whatever the rhetoric, is not likely to appease the oGvernment's critics.

The most hopeful way to make a virtue of necessity is to rethink the official macro-economic targets, in the light *both of experience* and of the strategic facts which face the country over the next decade or so—declining oil production and declining population growth. Oil revenue, it is to be hoped, will decline far more gently than it rose, so that the second structural adjustment should be more manageable; the difficulty will be to sustain a steady *growth of output while avoiding* an excessive deterioration in the current account. These facts make the case for a tight rein on non-productive spending; demographic trends should help in the long run to reduce the saddest burden of all, unemployment benefit.

Monetary control

If determined rather than frantic discipline is needed, one area cries out for attention—debt service costs. Net government interest payments, about £3½bn when the Government took office, threaten to reach £10bn next year. This calls into question the present techniques of monetary control, *which* seem to have excluded the UK from the worldwide fall in interest rates, and present funding techniques, where disappointingly little used has been made of indexted funding.

The rising debt service also reflects the misuses of privatisation as a substtiute for tax revenue in producing an apparently tight policy; the Government has lost large sources of cash, often at give-away prices. What has been given away once on privatisation is not there to be given away a second time in tax cuts. Smoother monetary control—easier, surely, within the EMS—together with more economical funding and more demanding prices for privatised assets would do more to address the problem than nay amount of squabbling over candle-ends.

Privatisation, Italian style

WHEN IRI, the Italian state holding company, agreed seven weeks ago to sell off its considerable operations in food manufacturing and distribution, the speed and completeness of the transaction seemed to be too good to be Italian. And this, unfortunately, is what it has turned out to be.

The sale of the foods business, controlled by a company named SME, suggested that Professor Romano Prodi, the chairman of IRI, had at last succeeded in carrying out a large-scale privatisation of activities which IRI regarded as "non-strategic." It meant a decisive reversal of the process under which, for five decades, the Italian state has always acquired and never disposed of businesses, however anomalous their control by the state appeared.

In a broader sense it seemed to be *further confirmation* of the way Italy, during the 1980s, has been gradually getting on top of its problems such as terrorism, union militancy and, in this case, the scandalous losses chalked up by the state holding companies.

Fiefdoms

It was particularly impressive that the sale of SME to Buitoni (which recently came under the control of Sig Carlo de Benedetti, chairman of Olivetti) was preceded by none of the public politicking that accompanies almost every transaction in Italy which involves the state.

But the politicking came afterwards. The minister responsible for state holding companies, Sig Clelio Darida, whose signature was apparently needed for the deal to go through, refused to give it, despite having approved the purchase in principle. Then IRI began to receive counter-offers to that from Buitoni which obliged it to consider alternatives to the Benedetti deal.

When, at the end of last week, IRI told the minister that it wished to abide by its agreement with Buitoni, one might have expected him to ratify it. Instead, the minister changed by decree the terms on which the negotiations had been carried out till then. He asked IRI *to* reconsider the whole thing, with the minister retaining the final say. What happens next is anyone's guess.

The reason things did not go smoothly is that state-controlled companies in Italy are in many cases fiefdoms of political parties which regard them as sources of patronage and of jobs. Because there is no alternation, in Italian politics, between the parties in government, the tentacles of the ruling parties *can extend unhindered* into areas of national life that in other countries remain virtually immune from politics. The Christian Democrats and the Socialists compete ferociously with each other in developing these networks

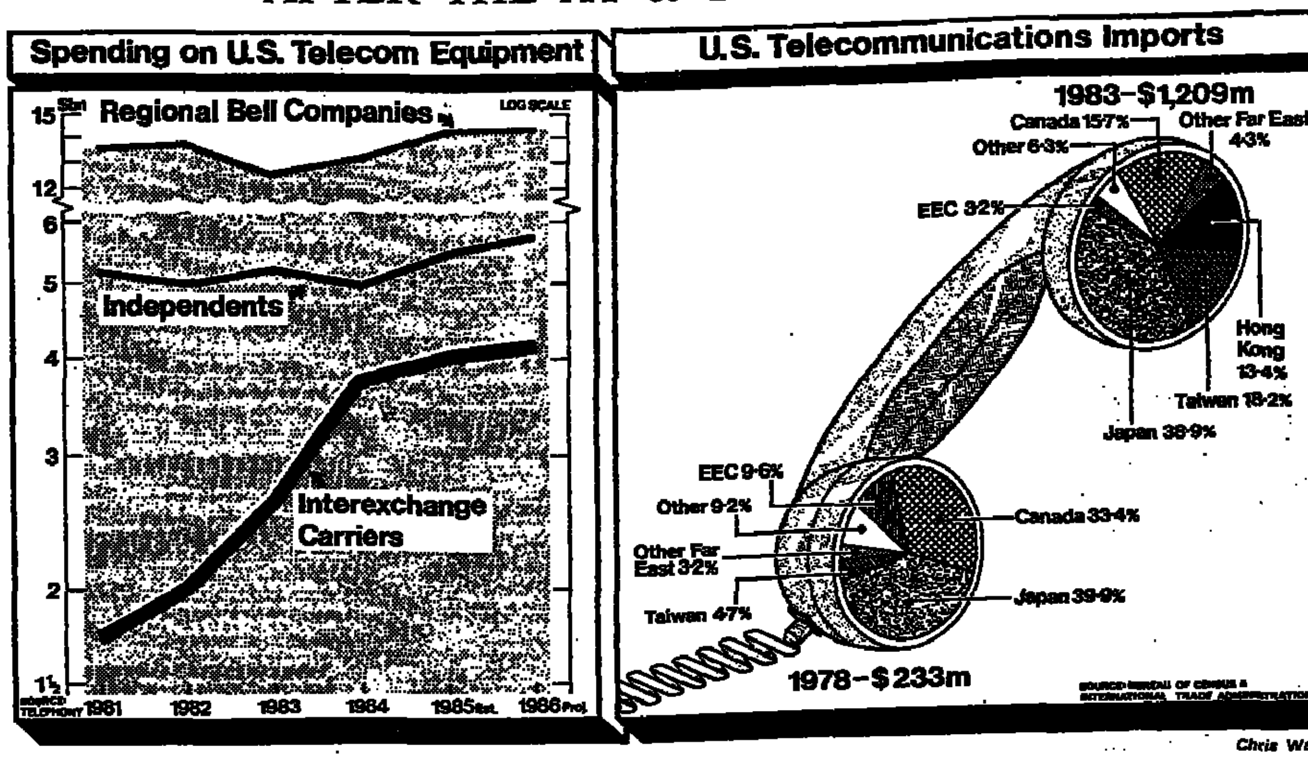
So the transfer to an outsider of an important industrial power block such as SME, hitherto firmly in the Christian Democrat orbit, was bound to arouse the acquisitive instincts of Sig Craxi. It did not help matters that he received no advance warning of the deal. He pronounced his dislike of the agreement with Buitoni from the outset, and his staff have made clear that they would prefer a purchaser favoured by the Socialist Party.

The immediate victim of the affair is Sig Prodi: he no longer has the distinction of being the first head of a state holding company to defy Italian political gravity and get away with it. Privatisation, despite being official government policy, may now be more difficult to achieve, at least *with the* larger units of the state sector.

If IRI pursues its stated aim of selling stakes in its subsidiaries to cement collaboration arrangements with foreign companies they may be reluctant to take them up if it means being dragged through a political millrace. Foreign investors will think twice about *continuing their new tendency* to invest in those strong state-controlled companies which are publicly quoted.

Italy's big private-sector companies—Fiat, Olivetti, Pirelli and Montedison—have shown they can thrive even in a political system that often appears short-sighted and inward-*looking.* The *economic* incentive to wean as many Italian state sector companies as possible away from the direct control of the politicians is there. First, the government must lay down unambiguous rules on how privatisation is to take place. It might also consider that these transactions would be *much* less painful and threatening if Italy could develop a stock exchange, and a culture of share ownership that would enable state holdings to be floated off to the public at large and not to established industrialists.

AFTER THE AT & T DIVESTITURE



Chris Walker

The rush to sell in an exploding market

By Paul Taylor in New York

A FEW weeks ago ITT, the U.S.-based multinational conglomerate, called a halt to work on 20 research and development projects at its advanced technology centre in Sheldon, Connecticut.

ITT took the painful decision in order to concentrate resources and manpower on adapting its System 12 digital telephone exchanges to U.S. standards, an effort which will cost the group about $300m.

Like other world telecommunications equipment manufacturers, ITT is locked into a high risk-high reward race to capture a significant slice of the booming U.S. market for advanced telecommunications equipment. The U.S. alone is over a third of the estimated $150bn a year world market.

The break-up of the U.S. Bell telephone system at the start of last year, which severed the links between the local telephone companies and American Telephone and Telegraph's Bell laboratories and Western Electric manufacturing unit (now part of AT & T Technologies), has unleashed a new competitive spirit among the now independent Bell Operating companies (BOCs).

This, in turn, *is presenting* an unrivalled opportunity for equipment manufacturers from Europe, Japan and North America which are scrambling to establish a foothold in the huge U.S. market.

Freed from the purchasing dictates of AT & T headquarters, the 22 BOCs, grouped into seven regional holding companies, are aggressively seeking new equipment suppliers, both in order to reduce costs and, it seems, as a forthright expression of their new-found freedom.

"The BOCs have moved much more quickly than anyone expected to wean themselves off AT & T and seek out alternative equipment suppliers," says Professor Eli Nom, an industry expert at Columbia University.

This view is confirmed by purchasing managers in the Bell companies themselves. Mr Peter Curley, assistant vice-president in charge of purchasing at Bell Atlantic, one of the seven regional holding companies, says: 'After divestiture you had a divorce. Now we are solely responsible for procurement, our posture is entirely different.'

Bell Atlantic, like the other Bell companies, has deliberately sought out alternative equipment suppliers to reduce its dependence on AT & T, says Mr Curley.

Last year, Bell Atlantic reckons, competitive bidding saved the company $100m, or five cents on every dollar of expenditure. Like the other Bell telephone groups, Bell Atlantic has also demonstrated its commitment to other vendors' equipment—particularly private branch exchanges (PBXs)—by offering their products to customers in preference to those marketed by A T & T.

For example, last year the BOCs, selling business equipment through separate subsidiaries, helped boost Canada's Northern Telecom group into top position among suppliers of office PBX systems. Northern Telecom grabbed 21 per cent of the 4.13m-line U.S. PBX market last year, according to industry estimates, setting the company ahead of Rolm (since merged with IBM), AT & T and Mitel, the other Canadian PBX manufacturer in which British Telecom recently took a controlling stake.

From telephone handsets to advanced transmission systems and optical fibre, divestiture and deregulation in the U.S. have ushered in a new period of intense competition. But it is in the $3.2bn-a-year market for switching equipment in telephone company exchanges that the real battle lines are being drawn between the world's telecommunications equipment giants.

A limited 'window of opportunity'

Beginning in the late 1970s, several companies began offering big digital exchanges to replace older analog electro-mechanical devices. These advanced pieces of computer equipment controlled by complex software, cost millions of dollars each. They are capable not only of routing thousands *of customer local and long* distance calls from telephone companies' central offices, but also provide other features such as billing and other services.

The central exchange business in the U.S. has long been dominated by AT & T. But the telephone giant saw a large chunk of its market snatched from under its nose in the late-1970s and early-1980s by Northern Telecom, which was the first to sell a digital exchange in 1977 (to North Florida Telephone, an independent operating company).

Last year, according to some estimates, Northern Telecom drew level with or even overtook AT & T, to become the world's largest supplier of digital PBXs and central office equipment.

Northern Telecom's head start in the digital battle has helped it win substantial orders for its DMS 100/200 family of switches from all the local Bell companies. The Canadian group's total sales to the BOCs, including switches, cabling and transmission products, jumped fro m $161m in 1982 to $700m last year.

This frontal assault on AT & T's traditional territory is a high-risk strategy which, if it fails, could force the Canadian group to push deeper into debt or curtail its expansion plans.

The risks are made even higher by an apparent strong resurgence at AT & T, which has greatly improved its marketing and production. After a slow start, AT & T is recovering rapidly both in the cut-throat digital PBX market where the Rolm/IBM merger has already raised the stakes, and in the market for advanced central office exchanges.

Spearheading AT & T's new *marketing drive is its SESS* digital switch introduced in 1983. In November last year, AT & T shipped its two millionth 5ESS line, but by the end of this year, with production moving into high gear, AT & T expects to have shipped another 6m lines.

While both Northern Telecom and AT & T appear assured of a large slice of the post-divestiture switch market, new competitors are queuing up to try to grab a share as well.

The key question is how these new competitors will fare. For ITT (considered a European competitor in terms of the U.S. telecommunications market), GTE of the U.S., Ericsson of Sweden, Siemens of West Germany, Plessey of the UK, *CIT/Alcatel of France,* Nippon Electric of Japan and the other challengers, the race is on.

Britain's Plessey group neatly illustrates the problem. It has pinned its hopes of acquiring a slice of the market for advanced telephone equipment—and particularly Bell operating company orders for Britain's System X Digital exchange—on its acquisition of Stromberg-Carlson, the Florida-based telecommunications group acquired by Plessey in 1982.

But while Stromberg-Carlson has had some success in the U.S. market for customer premises equipment and telecommunications transmission equipment, it is generally seen by industry experts as having fallen some way behind other competitors in the race to big orders for digital central exchange switches from the BOC's.

This battle to win a share of the U.S. digital market place is made more acute not only by *the huge resources which must* be committed just to qualify for a place on the starting line, but because many industry experts believe there exists a limited "window of opportunity."

This time-limit exists for several specific reasons. First it is generally recognised that the BOCs held back on purchasing new equipment just ahead of divestiture. Much of their old equipment is now coming up for rental, creating a "spiked" buying cycle. Second, the *introduction* of changes in the U.S. telephone system, specifically the move towards providing local subscribers with equal access to long-distance companies, is underway and due for completion by 1987.

Underpinning the move by the BOCs towards major digital exchange orders are the competitive pressures generated by divestiture. These are forcing the Bell companies to upgrade equipment, reduce costs and offer price-competitive services to big business customers, who

Implications could spread beyond U.S.

are increasingly "by-passing" local telephone systems using microwave, satellite and other systems to connect their offices together and to long-distance telephone carriers.

Finally, while the U.S. central switch market is projected to grow rapidly over the next few years, many believe growth will flatten after that and, under these circumstances, a strong installed base will provide *essential* sales *leverage*, particularly as worldwide telephone standards evolve towards a common Integrated Services Digital Network (ISDN) standard.

The challenge for the new foreign and other competitors is to win a portion of this market before the "window of opportunity" slams shut—and a firmly entrenched installed base of new equipment is established.

These tough odds explain the ITT decision at the end of last month to concentrate its human and financial resources on adapting System 12, already highly successful *outside* North America, to the U.S. standard, and GTE's admission that "the chief goal" of its communications systems division is to capture a share of the BOC market with its rival GTD-5eaux switch. In order to win a share of the U.S. market ITT, GTE and the other competitors have to run a *gauntlet of tough* tests to have their switches eve naccepted for possible purchase by the BOCs. This testing procedure has three distinct phases.

First, a paper evaluation by the regional holding companies themselves, designed to establish that the equipment meets specifications, and will not compromise the integrity of the existing telephone system.

Second, a full technical evaluation by the BOCs, coupled with a comparison of costs "designed to narrow the field."

Third, a detailed technical analysis of the equipment by Bell Communications Research (Bellcore), a central testing agency jointly owned by the regional holding companies, coupled with a field trial.

So far, most of AT&T and Northern Telecom's competitors have reached and passed stage one of the process and some, like GTE and Ericsson, have reached the third stage. ITT has attempted *to shortcut* the procedure by persuading several Bell and non-Bell telephone companies to instal System 12 on a trial basis while still racing to complete the other tests.

For ITT, the process is particularly galling. System 12 has already racked up considerable overseas orders but the U.S. remains the real prize.

L. M. Ericsson, the Swedish-based telecommunications group, faces a similar challenge. While Ericsson is a major player in the world telecommunications market, the company has little presence in the U.S. market. "We really have nothing here," admits John Meurling, *Ericsson's* vice-president of U.S. marketing, although the company has sold its switching gear to MCI Communications, the cut-price carrier, and for use in several mobile cellular telephone systems.

Like others, Mr Meurling agrees the Bell breakup has created "a whole new market." He believes there is room for at least one other central switch supplier and Ericsson has set its sights on being that third supplier. "Our target is to have 5 per cent of PBX and 5 per cent of the switch market by the end of the decade."

Even if the host of competitors manage to meet the demands of the market place against the clock, the resulting fierce pricing war is expected to drive prices and margins way down.

But whoever wins the post-divestiture U.S. telecommunications marketing battle, its long-term implications could stretch far beyond U.S. shores.

Prof Noam of Columbia University believes the opening up of the U.S. telecommunications market place to foreign competition is "a double edged sword" which will "almost inevitably" lead to additional pressure by U.S. equipment makers on European telecommunication's groups to throw open their markets. Already U.S. equipment manufacturers are swarming into Japan following the April 1 deregulation of that market—seeking to redress the yawning $1.2bn telecommunications equipment trade gap between Japan and the U.S. last year.

Men and Matters

Teething troubles

Even the Japanese agree that the West Germans lead the world in motor industry technology. So the Germans are a bit embarrassed about their failure, so far, to deal with the polecat problem.

It seems that the insulating compound applied to electric wiring in cars has a smell which polecats (small, four-legged beasts of the weasel family) find irresistible. The animals frequently pop into car engine compartments for a quiet nibble with *obvious results.*

Dr Hans Hagen, BMW's director of science and research, is one who suffered personally from the problem. He says all the German car makers are now co-operating to combat the menace.

The manufacturers have rejected any idea of just shooting the varmints — the environ*mentalists would not approve* and, in any case, polecats mainly do their chewing well after midnight.

Instead, the industry has tried spraying the wiring, which did not work, and ultra-sonic sound systems, which upset dogs.

Hagen suggests that the industry may have to resort to a *low-tech* solution and fit some kind of wire mesh under the engine compartments to prevent the polecats getting in.

Meanwhile, he just thanks his lucky stars that the creatures have not developed a taste for the compond on car braking systems.

Spin off

George Dorman misses the buzz of the early 1970s when he was sent from Italy as managing director of a one-man company to establish a market in Britain for Zanussi appliances.

He was not exactly given a flying start. Still in his 20's, with no work experience in the UK, he was also hobbled by a rider from head office which demanded that his exploits should not cost the company any money.

"Never mind where you want to go—where do you want to be chucked out?"

Happily, his arrival coincided with that of a boom in sales of appliances which caught the UK manufacturers with their pants down. Unable to meet demand, they turned to Dorman. Within five years he was selling 500,000 appliances a year.

Even so, Zanussi was hardly a household name. All its appliances were sold under other companies' brands.

His next challenge was to establish Zanussi as a brand in its own right—not an easy task in a market where Italian appliances had earned a down-market, cheap image. The answer? The Appliance of Science. The washer from outer space.

It worked—but Dorman has had enough. He has resigned complaining of a low boredom barrier which began to crumble about three years ago.

With half an eye on the sweeping successes of the Benetton operation, he plans to capitalise on his links with Italy by opening shops selling only Italian goods. "No frocks," he insists, but covering everything from food to tailored gloves.

His ideal area, he says, is Henley on Thames and other Home Counties dormitories of the well-heeled. Once off the ground, he aims to franchise the business.

There is an uncharacteristic whiff of bitterness in his reasoning, reflecting his own trials at the hands of the mighty chain retailers who dominate the UK appliance market.

"There are thousands of good manufacturers in Italy. I'd like to give them a chance in a large market like the UK without their being screwed by the multiples," he says.

Microfracas

The widely publicised Christmas punch-up between Sir Clive Sinclair and his home computer rival, Chris Curry, founder of Acorn, did not end with the apologies made the next day.

Sinclair Research complained to the Code of Advertising Practice Committee about the Acorn ad that caused the fracas — a reproduction of Press reports of a survey which referred to the unreliability of Sinclair micros.

And Acorn complained to the Committee about the accuracy of market share figures quoted in an ad for Sinclair computers.

The Committee has responded by criticising both. Acorn's ad, it says, "failed to respect the principles of fair competition," and Sinclair's "could be misleading."

Not that the verdicts are likely to provide any consolation—both Sinclair and Curry have now lost ownership and management control of their respective companies after running into financial difficulty.

Knight watch

The last few days have been good ones for Bernard Audley, one of the founders of AGB Research, the British market research group as a £100 company in 1962. First there was a knighthood in the Queen's Birthday Honours. Then AGB clinched its largest export contract — a £13m five-year programme to provide overnight television ratings in Italy.

For the first time Italian ratings will cover not only the public sector programmes of RAI, but the private, independent companies, once regarded as "pirates," but now finally respectable.

"AGB has acted as a catalyst in bringing the two sides together," Sir Bernard, AGB's chairman, says. He intends the result of his company's work to be the most detailed picture so far on who watches what in Italy.

AGB beat Nielsen's, the world's largest market research organisation, to the contract, and now Sir Bernard intends to tackle Nielsen in its home market, the U.S.

Law suits

Byron Limited has been in business as tailors in Hong Kong for the past 25 years, so *it obviously knows its market.*

Included in the wardrobe it recommends for the businessman is a dark grey, all wool, suit "to wear at board of directors' meetings and courtroom trials."

Tall order

Heard in a cafe in West London: "Would you put three cups of tea in this vacuum flask, two without sugar?"

Observer

SRI LANKA IN CRISIS

The vital role of Rajiv

By John Elliott in Colombo

"THIS HAS become a war—people have been killing each other," says Mr Junius Jayawardene, 78-year-old President of Sri Lanka, the island off the southern tip of India which last night was poised on the brink of a ceasefire after two years of ethnic violence.

Mr Jayawardene was speaking at the weekend in the capital, Colombo. He is believed to have agreed at a summit in New Delhi two weeks ago with Mr Rajiv Gandhi, India's Prime Minister, that a ceasefire should build up gradually over six weeks from yesterday and then last for two or three months, during which time talks could take place.

It is now almost two years since century-long rivalries erupted into anti-Tamil riots by Sinhalese mobs which engulfed Colombo. Since then Tamil extremists, organised in five main guerrilla groups based in Madras, Tamil Nadu, have been stepping up their violent campaign. Some are Marxist-based and want a revolution for the whole island. But the immediate aim is Eelam, total independence for the Tamil areas of the north and east, even though the majority of the island's 2m Tamils would probably settle for regional devolution.

With villages burned and demolished, over 10,000 villagers in temporary refugee camps on the island, and hundreds dead, Mr Jayawardene admits the situation has "got worse in the past two years." The communal unrest has increased and engulfed a small Moslem community, and extremist groups have become more sophisticated and have come to regard themselves as parallels to the Palestine Liberation Organisation and Swapo in South Africa.

The country's economy is suffering and there are meat and fish shortages. There are up to 100,000 Tamil refugees in southern India and several thousand more in European countries including the UK, where some face repatriation. Hardly any tourists are visiting the island and foreign investment is drying up.

Mr Jayawardene's dream of turning Sri Lanka into a south-east Asian-style free market economy has been almost halted as the island has been drawn back into the ethnic problems common in South Asia where India predominates.

Scandinavia and other countries among international aid donors who meet in Paris tomorrow to vote between $500m and $550m of annual aid have also been complaining about the government's ethnic policies.

There is also a mood for the troubles to end among many of the island's 15m population. An extremists' attack on the ancient Buddhist Sinhalese city of Anuradhapura last month undermined the confidence of both the government and the Sinhalese people. Nearly 140 people were killed in the incident.

For most of the two years, the Sri Lankan Government has contained the extremist activity to the nortern Tamil homeland of Jaffna where Tamils make up 75 to 90 per cent of the population compared with 12 to 17 per cent nationally.

But the extremists took the battle in April to Batticaloa in the east where Tamils account for 72 per cent of the population, Moslems 24 per cent and Sinhalese 3 per cent. The aim was to drive the Sinhalese out and win over the Moslems, but eventually there was violence between the Moslems and Tamils, incited according to independent observers by a government special task force trained by ex-British SAS officers.

Then the extremists moved to the area around the strategically important deep-water port of Trincomalee on the Indian Ocean. This area is a buffer zone between the strong Tamil areas of Jaffna and Batticaloa and with its deep-water port is essential economically to any Eelam state. Equally it is crucial for any Colombo Government to control.

Its population is roughly split into three equal parts of Tamils, Sinhalese and Moslems. "Go to Trincomalee because there you can see something of a border war. In many Sinhalese minds, Jaffna may have to be given up to the Tamils one day. But never the east, so Trinco is the border," I was told in Colombo.

In some of the worst violence so far, a bus was stopped south of Trincomalee by troops who shot six Tamil passengers. So Tamil extremists shot four Sinhalese and dumped their bodies where soldiers had allegedly burned the bus passengers. The army is reported then to have burned two Tamil villages near Mutu, south of Trincomalee, in retaliation, for the incident last month. The Tamils then allegedly burned two Sinalese villages and the army burned 11 Tamil villages.

President Jayawardene

In Nilaveli, north of Trincomalee late last month an air force officer was killed in an extremist ambush. Troops the next day allegedly indiscriminately shot seven Tamil civilians. A few days later a police station nearby at Kuchaveli was blown up by extremists. As many as 300 soldiers are then said to have descended on the village, burning Tamil houses

The village borders a beautiful palm tree-lined golden beach. Last week all that remained of the Tamil area was masses of flattened and burned buildings. Nervous navy troops aimed machine guns from behind sandbagged defences and rough road blocks. A little to the south, a bridge had been blown up and a modern popular 80-bedroom beach hotel, the Moonlight, was in total ruin, having been bombed and burned by extremists because the owner was suspected of helping the troops.

Although the Moonlight was the first hotel to be attacked by terrorists (apart from a minor explosion in the Colombo Oberoi last year) the tourist industry has been hard hit. The total number of nights spent by tourists on the island declined by 22 per cent last year over 1982 and receipts in SDR's declined by 13.3 per cent in 1983 and by 8.7 per cent last year.

This year the decline could be even worse after the Anuradhapura and other attacks and no part of the island can now be regarded totally safe.

Rising tea prices internationally and a sharp increase in the volume of tea exports bolstered the hard-pressed economy last year and saved the government possibly having to go to the International Monetary Fund for help. But now falling tea prices are partly removing this prop. Foreign exchange earnings from tea rose from Sri Lankan Rs 8.3bn (£251m) in 1983 to Rs 15.8bn last year and are likely to fall by at least Rs 2bn this year.

The other main shock to the economy is the rocketing level of defence spending which is now Rs 16m (about £500,000) a day in a country whose army, as one civil servant put it, "used to march only on independence day and that was that." The 1985 budget for defence was fixed at Rs 3.6bn, but Mr Ronnie de Mel, Finance Minister, has said that at least another Rs 2bn will be needed which will take the total to seven times the expenditure in 1977. And Mr de Mel has given a warning that yet another Rps 2bn may be needed this year.

The money is being spent partly on buying helicopters, patrol boats, aircraft and guns and other equipment which are urgently needed by under-trained, unconfident and often unruly troops.

Meanwhile, Mr Gandhi's peace initiative is important as he tries to establish himself in succession to the late Mrs Indira Gandhi as the leading statesman of south Asia. He has also come under pressure from the U.S. to get talks going.

But he has his own communal and ethnic unrest to cope with in India, such as the Sikh problem in the Punjab. So he understands the Sri Lankan problem and does not want the Sri Lankan unrest to stir up India's southern state of Tamil Nadu where there have recently been anti-Jayawardene demonstrations. Tamil Nadu has historic links with the Sri Lankan Tamils which pull India and Sri Lanka inextricably together

The first objective in Sri Lanka has been to step up pressure to persuade the extremists to join a ceasefire, for whatever motive. "We believe that the Sri Lankan Government will never put up proposals sufficient for our people so we want Rajiv and the world to see that lack of willingness. For that reason a ceasefire would expose Mr Jayawardene," says Mr. A. Balasingham, chief theoretician of the Tamil Tigers which was yesterday reported to have joined the ceasefire.

Mr Jayawardene's brother, Harry, a lawyer, has been in Delhi this week consulting constitutional lawyers on whether India's devolved system of semi-federal government could be adapted to give more autonomy to Sri Lanka's northern and eastern provinces than Mr Jayawardene proposed before the last round of talks collapsed in Sri Lanka last December.

Earlier sticking points like the power of local police and the percentage of land given to different races could probably be solved, but the main problem is that most Tamils want the northern and eastern provinces combined into one area which Mr Jayawardene rejects saying: "They must remain separate, that is fundamental and non-negotiable."

In the past, possible peace proposals have been rejected by leading Buddhist priests and by hardliners in Mr Jayawordene's United National Party which is sharply split on political and personal rivalries. These hurdles remain and can only be crossed if Mr Jayawardene confounds his critics and shows he is really aiming at a settlement and not just buying time to recoup political and military strength and confidence.

Mr Jayawardene, who felt bullied by Mrs Gandhi, has suddenly become full of praise for Mr Gandhi. He is, however, tending to overstate, in India's view, the role that India can play. So the praise carries the risk that he may try to shift the responsibility for any failure on to India.

Company political donations

What the shareholders should know...

By Edmund Dell

THE PRESENT increasing sensitivity about company political donations has been illustrated by the recent decision of the Willis Faber Board to give its shareholders advance notice of its intentions. What they are doing is welcome, but is it enough?

If company boards attend to the advice given in *Company donations to political parties: a suggested code of practice*, which was published yesterday, they will take at least one step further. They will explain why they think it is in their company's interests to make the proposed donations, and they will poll their shareholders for their approval of the statement embodying their explanation†.

Many companies that make political donations do so reluctantly. When I was an economic minister in Labour Governments, chairmen of companies who wanted some form of government support would occasionally take an opportunity of informing me that they supposed I knew that they gave money to the Conservative Party. "You will understand," they would tell me apologetically, "that we do this because trade unions give money to the Labour Party." They were embarrassed, I was annoyed that they should fear that such considerations might affect me or the government of which I was a member, and we passed on to the merits of whatever they were proposing.

They thought that it was the most natural thing in the world that politics in this country should be financed by "the two sides of industry." But it certainly made me feel that our method of funding politics served to "accentuate instead of reflecting the actual degree of conflict in society."

That is a quotation from an earlier report entitled "Paying for Politics." In 1980 I was asked by the Hansard Society to chair a commission on the funding of politics in this country. The commission represented a wide spectrum of political opinion. Nevertheless, all of us felt that what were then two main political parties were far too dependent on institutional financial support, trade unions in the case of the Labour Party and companies in the case of the Conservative Party.

It would be less damaging if the distribution of political giving was influenced by some assessment of the views of shareholders and employees. If companies did that, and trade unions could be persuaded to do the same, it would at least reduce the confrontational element in the way political parties are funded in this country. But there is little sign of that happening.

Our recommendations at that time had it as their intention that they should lead to a reduction in the parties' dependence on institutional sources of finance. The method we chose was designed to encourage modest contributions from individuals. For that purpose we recommended that such contributions up to a very low ceiling should be matched by small grants from the state. There would thus, we hoped, be a greater incentive for political parties to seek widespread membership. The majority of us felt that, so far as trade unionists were concerned, the law should substitute contracting in for contracting out.*

The confrontational element could be reduced

Then came the Trade Union Act, 1984. It went less far than the Hansard Society Commission had recommended. Nevertheless, it introduced a statutory requirement on trade unions to hold regular ballots on political funds. The sensitivity about company political donations derives in part from that legislation.

It seemed time for an inquiry into whether, partly to balance the new trade union legislation, but also because it was right in itself, there should be a voluntary code of practice governing company political donations. My colleagues on the working party on company political donations were in no way committed to the earlier Hansard Society Commission report. However, they accepted its basic thrust.

Our report insists that political donations should be kept in proportion. An action which is acceptable in itself can become unacceptable if it is out of proportion, and we embodied in our suggested voluntary code our key proposal that boards should make a statement arguing their case for political giving, and present it to their shareholders for approval.

What kind of statement could a board make to justify political giving? Years ago, one great industrial magnate told me that if I could persuade the Labour Party to abandon nationalisation, it could expect largesse from his company equal to the very large sum then going from it to the Conservative Party. He was not, of course, taking any great risk. For my part, I wondered whether, if I succeeded in so momentous a task, the result might not rather be that he would stop giving money to the Conservative Party. What further reason would he have?

It is understandable that companies should wish to contribute to political parties that oppose nationalisation. More positive reasons might arise from a fear of the return of exchange control, attitudes to membership of the European Community, or approval of recent trade union legislation.

My sympathies are with those leading industrialists who told the working party that they are persuaded by the many powerful arguments against company political donations. But if company boards think that they can justify it, let the reasons be on the record to be examined by shareholders; and let boards consider carefully what the implications of their reasons are for the distribution of their political donations.

†Company Political Donations: a suggested code of practice, is available from the Constitutional Reform Centre, 60 Chandos Place, London WC2, price £2.50.

** Paying for Politics, the Report of the Hansard Society Commission, is available from the Hansard Society, 16, Gower Street, London, WC1; price £2.50.*

The author is chairman of Channel Four TV, chairman of the Hansard Society Commission and a former Secretary of State for Trade.

Letters to the Editor

The threshold trap

From Mr P. Ashton

Sir,—In his eagerness to define a new tax/benefit distortion Professor Collard (June 12) on "The threshold trap" fails to provide an adequate reason for us to be concerned about its effects.

It is obvious that increases in tax thresholds will benefit those on the proposed means-tested benefit less than other taxpayers (since the new benefits will be linked to net rather than gross earnings) but why refer to this as yet another "trap"? The poverty and unemployment traps are so named because they are believed to discourage people from earning more or from seeking employment: they are thus trapped into poverty (or more correctly low net earnings) or unemployment. What, though, does the differential benefit from a reduction in income tax prevent people from doing? They are not in any sense of the word "trapped" into anything.

The main effect on benefit recipients from an increase in tax thresholds will be to reduce their number as they are gradually floated off benefits. Hence the size of the poverty trap problem is diminished as thresholds are increased. Surely a good thing?

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Liverpool

British Airways and Lonrho

From the Chief Executive, British Airways

Sir,—The report (June 18) that, "British Airways had indicated a recognition of Sir Freddie's (Laker's) and Lonrho's position by an inadequate suggested figure for settlement of their claims" is incorrect.

At no time has British Airways offered or indicated that it intended to make any offer to Lonrho in respect of its alleged claim concerning the joint ventures Skytrain Holidays and Peoples Airline.

Colin M. Marshall.
P.O. Box 10,
Heathrow Airport (London),
Hounslow, Middx

Working women

From Mrs K. Clifton

Sir,—Mr Hart (June 12) has again raised the old chestnut of married women part-timers taking jobs from the young unemployed. An employer will at all times seek conscientious, hard working, literate and numerate staff and if market forces supply these workers in the form of married women who are often able to deal on a part-time basis with a full-time workload, who can blame the employer for employing them? How many literate school-leavers are there?

Other industrialised countries do not usually have Britain's high levels of part-time employment because other countries provide a far superior child care service. If a moderately paid mother has to pay for childcare after paying tax and national insurance, her "take home" pay may be only a few pounds a week more for a full working week than a part-time working week when she does not have such deductions.

Mrs K. Clifton,
Deepdene, Ockham Road North,
West Horsley, Leatherhead,
Surrey.

Electricity from France

From the Secretary, Electricity Supply Trade Union Council

Sir,—Your report (June 14) about the attitudes of the electricity supply trade unions to the supply of electricity from France over the new 2000 MW underwater cable is untrue.

The unions in the industry have been kept informed by the Central Electricity Generating Board about the plans for the use of this cable, and we have made no objection to what the board has so far told us about the way the link will be used.

J. Lyons.
Station House,
Fox Lane North,
Chertsey, Surrey.

The importance of dividends

From Mr J. Gurney.

Sir,—Many investors share Mr David Davies' puzzlement, expressed on the Management Page ("Upending some sacred cows," June 3), that the academic establishment should continue to regard dividend policy as having no effect on share prices, in the face of all the evidence to the contrary. His statement, however, that "Economic theory says that dividends are at best irrelevant" is too sweeping. There is indeed one theory, due to Miller and Modigliani, that maintains this, but I would like to draw Mr Davies' attention to a competing theory which I have put forward in a number of articles.

According to the alternative theory, which has the merit of being consistent with observed market behaviour, dividend policy affects share prices by affecting the sensitivity to changes in market conditions. Increasing the dividend payout ratio for a given investment reduces the market-related volatility, so that the systematic risk, and, therefore, the appropriate discount rate, are less, and the share price valuation is greater.

J. P. Gurney.
Allied Unit Trusts,
9-15, Sackville Street, W1.

Expensive warships

From Mr D. Wragg.

Sir,—It is not surprising that the Ministry of Defence sometimes receives poor value for money in warship building contracts, according to the Comptroller and Auditor-General.

There is a learning curve in examples of any major item of the construction of the first equipment. It follows that later examples should cost less and take less time to complete than the originals, providing, of course, that production has been concentrated on a single source so that the learning curve occurs just once, and does not have to be repeated by two or more manufacturers or, in this case, shipyards.

Instead of placing orders for new warship classes with just one yard, the Ministry of Defence prefers to scatter these around in penny numbers. The Invincible-class of aircraft carriers consisted of just three ships, yet building was allocated to two yards, meaning that two out of the three vessels were at the start of the learning curve. Although there are supposed to be eight Type 23 frigates in due course, the Ministry of Defence has not ordered all eight from a single yard, but instead has ordered just one and hopes to order up to three more over the next twelve months; small wonder that this supposedly low-cost class of frigate is now estimated to cost almost as much as the more capable Type 22!

The ordering of an entire class from one yard would enable the maximum benefit to be obtained from the learning curve, while also ensuring that the yard could plan ahead and phase construction at the most economic pace. There would be another benefit as well: the Dutch placed orders for the first eight of their Kortenaer-class frigates with just one yard, which also meant that it was easier for them to offer early delivery when the Hellenic Navy was looking for a warship of this type, something which British yards cannot offer!

Of course, it can be argued that spreading the available work helps employment and the regions, but if it effects our ability to maintain the right level of naval forces, these other considerations must ultimately be self-defeating.

David W. Wragg.
45, St Margarets,
London Road,
Guildford, Surrey.

Political fund ballot

From the General Secretary, Association of Scientific, Technical and Managerial Staffs

Sir,—The story in Men and Matters (June 17) that when ASTMS conducts its political fund ballot "members will have to sign their voting slips and fraud detection will be limited to a simple handwriting check" is quite false.

It would be illegal to have such a requirement. In workplace ballots members will sign an electoral roll and then receive their ballot in an envelope as required by law for casting in a ballot box.

Clive Jenkins,
79, Camden Road, NW1.

Violence on the terraces

From the Chairman, Stamford Group

Sir,—As a regular visitor to the U.S. and a keen spectator of baseball and ice hockey, I feel obliged to comment on Mr Sloman's letter (June 13).

His conclusion that the revival of discipline, "that old fashioned virtue," is required may well be true and would certainly have my support. His assumption however that there is a greater abundance of self-discipline generally in the U.S. seems very doubtful to me.

The reasons for less hooliganism (at least off the streets) at sporting events in the U.S. is due to a combination of better, often ultra modern facilities, a conscious responsibility to entertain prior to the main function and, of course, geography.

Distance prevents much travelling by supporters of the visiting teams. Consequently, virtually everybody watching a major baseball game supports the home side. Good humour abounds, as does excellent marshalling to clamp down immediately on drunks or trouble makers.

After watching English soccer for 35 years, I remain baffled by the failure of the FA and Football League to learn from the U.S. in the development of their industry. Only a handful of clubs, of which Manchester United is the clear leader (I declare a life-long interest!), have even started to approach the high standards which are accepted as normal in the U.S.

J. M. Nugent
Bayley Street,
Stalybridge, Cheshire.

FINANCIAL TIMES

Wednesday June 19 1985

Ministers plan new talks on European fighter

By Michael Donne, Aerospace Correspondent, in London

TWO DAYS of talks in London have failed to produce agreement between the defence ministers of Britain, France, West Germany, Italy and Spain on the development of a future European fighter aircraft.

Instead, the five have instructed their national aerospace industries to produce fresh reports on the venture's feasibility.

This may be followed by a further ministerial meeting next month.

None the less, Mr Michael Heseltine, the British Defence Secretary, who chaired the London talks, said after they ended yesterday that some progress had been made.

In particular, this had included "narrowing the options available" on technical issues. Within the aerospace industry this is thought to mean that disagreements on the mission capabilities and weight and engine power of the proposed aircraft may have lessened slightly.

It has been widely known for some time that the French have wanted to see a smaller, lighter aircraft especially for ground attack roles, than the UK and West Germany, which want a bigger aircraft to fulfil an additional air superiority role.

Mr Heseltine yesterday admitted that there were still difficulties and differences of view, but he claimed that the London meeting had narrowed the gap.

All five defence ministers wanted the prospective collaborative venture to materialise, because with its long production runs and shared costs it was an attractive method of solving the problem of replacing existing, ageing aircraft.

There is no guarantee, however, that there will be another ministerial meeting in July. Much will depend upon the response of the aerospace industries of the five countries

Mr Heseltine indicated that one element in the new instructions would be a widening of the scope of the studies to bring the avionics (airborne electronics) industries of the five countries more into the discussions.

Another separate collaborative aircraft programme that has moved a little further forward at the London talks is the four-nation (UK, U.S., French and West German) plan for a new military transport aircraft.

Previously, this has been concentrating solely on transport duties, with the replacement of the U.S. Lockheed Hercules turbo-prop aircraft mainly in mind.

Over the past two days, however, it has become clear that ministers have widened the studies to include requirements for Airborne Early Warning, anti-submarine warfare and air-to-air refuelling. Consequently, the venture will in future be called the "Future Large Aircraft" venture.

Work on this has been under way for more than two years between British Aerospace, Lockheed of the U.S., Aerospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany.

China appoints younger generation of ministers

BY ROBERT THOMSON IN PEKING

THE CHINESE leadership yesterday took a major step to entrenching its policies by appointing eight new ministers, all of them relatively young and well-educated, to the Government.

The appointments will force the retirement of six ministers, all over the age of 65, and the removal of two others from their posts. The latter two, according to the Chinese newsagency, Xinhua, "will be assigned to other posts," though the nature of the posts was not revealed.

An aim of the Chinese leader, Deng Xiaoping, has been to phase out the generation of elderly officials holding power and replace them with younger and better-educated people in their 40s and 50s.

Deng, who is 80, hopes to clear the path for a smooth transition of power when he and other senior leaders retire. He is confident that the younger and educated officials are likely to stick to his pragmatic line, and a power struggle will be avoided on his leaving.

The new ministers were formally nominated by the Chinese Premier, Zhao Ziyang, and then appointed at a meeting of the standing committee of the National People's Congress.

Youngest of the newcomers is a 48-year-old minister for the electronics industry, Li Tieying, and the oldest is a 58-year-old minister of ordnance industry, Zou Jiahua. The average age of the eight appointees is just under 55.

Other new ministers have been given the portfolios of coal industry; railways; petroleum industry; radio and television; commission of science, technology and industry for national defence; and astronautics industry.

Most of the appointees have moved into economic-related posts, reflecting the leadership's concern to entrench the present pragmatic economic policies. According to Xinhua, the appointments were made as part of the "Government's programme to make cadres more revolutionary, younger in average age, better educated and more professionally competent."

The departing ministers have had careers changing with the political tide. Tang Ke, replaced as petroleum industry minister, was branded a "corrupt element" during the cultural revolution, while Wu Lengxi, 76, replaced as radio and television minister, was labelled a "counter-revolutionary revisionist" during the same period and banished to the political wilderness.

In another move, Vice-Minister Li Peng, generally perceived as a political up-and-comer, was appointed head of the state education commission, which will replace the ministry of education. Much emphasis has been put on the development of education in China, and the new commission will have more power to co-ordinate education policy.

Chinese leaders have indicated that there will be further moves both at provincial level and in the senior ranks of the Communist Party, all of which are designed to keep China on the path of modernisation.

In September younger members are likely to be drafted to several ruling bodies – the Central Committee, the Politburo and the party secretariat – at a national congress.

The Communist Party general-secretary, Hu Yaobang, said last March that a shake-up was taking place throughout the country, and younger party members would replace the revolutionary veterans. Hu estimated that by the end of 1986 nearly 2m older officials and cadres would have retired or taken less responsible jobs.

Peking summons an economic miracle-worker from Singapore

BY CHRIS SHERWELL IN SINGAPORE

DR GOH KENG SWEE, widely regarded as the principal architect of Singapore's economic "miracle," has begun work as economic adviser to the People's Republic of China, a post which could offer significant opportunities for Singapore as well as an additional thrust to Peking's open door economic policy.

Announcement of the appointment has yet to be made by the Peking Government and has hitherto remained unconfirmed in Singapore. Even now the exact terms are still to be settled, but Dr Goh has already made one trip to China and is planning a second.

He will be working in parallel with a 50-strong team of economists from the World Bank based in Washington and Peking. As the job is part-time, he is not expected to leave his present job as deputy chairman of the Monetary Authority of Singapore, the island state's powerful bank regulatory agency.

Until last December, when he retired from politics ahead of the general election, Dr Goh was first deputy Prime Minister, MAS chairman and Education Minister. A close associate of Mr Lee Kuan Yew, the Prime Minister, since self-rule in 1959, he has held the post of Finance Minister and Defence Minister, each for two separate periods.

Aged 66 and an economist by training, Dr Goh is known for his forthright views and his general suspicion of most politicians, bankers and theoreticians. He is regarded as a superb administrator.

In his new job he is answerable to Gu Mu, the member of the State Council responsible for the four special economic zones, 14 coastal cities and Hainan Island, which have all been newly opened to foreign investors to speed China's development. Gu is in turn answerable to Zhao Ziyang, the Prime Minister and one of the prime movers behind the country's bid to catch up with the West.

Peking has evidently been impressed with the way Chinese migrants in Singapore have become prosperous over the past 25 years through their contacts with foreigners, and believes lessons can be learned from their post-independence experience of economic management.

French living standards 'to rise'

BY DAVID HOUSEGO IN PARIS

FRENCH living standards will rise modestly this year and next after falling during 1983 and 1984, according to forecasts published yesterday by the Ministry of Economy as background papers to the preparation of the 1986 budget.

The increases in real household purchasing power of 1.2 per cent this year and 1.3 per cent in 1986 will, however, mainly reflect the impact of tax cuts. The Government is basing its budget calculations on its plan to prevent a real rise in salaries, especially in the public sector.

The figures nevertheless show that it will take two years for President François Mitterrand to redeem his promise of cutting taxation's share of gross national product by 1 percentage point. He had hoped to achieve that goal in 1985.

On the ministry figures, tax and social security payments as a proportion of GNP will fall by 0.8 point this year and by 0.3 point in 1986.

The forecasts implicitly confirm the sharp cuts in public spending that are now on the way. They are based on holding the deficit of the public administrations (the central government budget, the local authorities and the social security fund) to 3.2 per cent of GNP next year, against the 3.6 per cent forecast by the Organisation for Economic Co-operation and Development.

Officials claimed yesterday that an expected FFr 18bn ($1.95bn) deficit in the social security fund would be absorbed by spending cuts rather than through an increase in social security contributions.

The ministry figures show that the Government has revised downwards its forecast of the growth in real GNP this year to 1.5 per cent. That is still above the 1 per cent predicted by most private institutes.

The Government meanwhile is for the first time publicly acknowledging that the trade account, which it had expected to be in surplus this year, will be in deficit. The ministry forecasts a FFr 10bn deficit against the FFr 25bn shortfall forecast by Insee, the state statistics institute.

Japanese Cabinet 'needs stronger role'

By Jurek Martin, Far East Editor, in Tokyo

JAPAN could respond more effectively to international as well as domestic problems if the co-ordinating power of its Cabinet were strengthened, according to an advisory council to the Prime Minister.

The report, by a sub-committee of the Administrative Reform Council, calls for the creation of a special external affairs office inside the Cabinet and the reorganisation of the virtually moribund National Defence Council into a national security council along U.S. lines.

These proposals, plus others designed to increase the reach and competence of the Prime Minister's office, clearly imply a diminution of the traditional authority exercised by individual departments of government, as well as less of the consensus-approach to policy making that is so characteristic of Japan.

They are bound to be opposed in detail by the existing powerful ministries, such as finance, international trade and industry, education, agriculture and posts and telecommunications.

The sub-committee's report is in no way binding, and the fact that its members were drawn from outside the bureaucracy may further weaken its impact.

On the other hand, the question of administrative reform, the catchword for a more efficient government, is extremely important in contemporary Japan. The process has already resulted in the privatisation of two state monopolies – telecommunications, and tobacco and salt – and is subjecting the bureaucracy to greater public scrutiny than it has known for years.

The report argues that the consensus approach and what is known as bottom-up decision-making takes too long in a fast-moving world. With so many ministries involved in international trade issues, the task of co-ordination is far heavier than existing Cabinet resources can handle.

The Cabinet is sub-divided into various ad hoc groups, including defence, which rarely meets, and external economic affairs, which is frequently in session these days.

But the notion of collective Cabinet responsibility is alien to Japan. Meetings of the various groups often amount to ministers simply representing the views of their departments, leaving the reconciliation of differences to trade-offs worked out by the bureaucrats.

The proposed National Security Council, to be headed by the Prime Minister, would principally deal with emergencies, such as hijacks and other acts of terrorism, and would thus be more limited in scope than its U.S. namesake.

The report makes clear that the Foreign Minister should remain responsible for normal conduct of external affairs, thus avoiding the "dual diplomacy" (between the NSC and the State Department) that has sometimes caused confusion in the U.S.

The thrust of the report is likely to appeal to Prime Minister Nakasone, whose conflicts and irritation with his bureaucracy have on occasion been marked.

He was influential in naming the report committee's members, as he has done with other advisory committees. This has been part of his conscious policy to broaden the scope of public debate in Japan by relying rather less on the conventional establishment.

UK in row over vehicle pollution

Continued from Page 1

reduce emissions of damaging nitrogen oxides, as in the U.S. and Japan.

Nitrogen oxides are an important factor in the phenomenon known as acid rain, which is blamed for widespread damage to European forests and acidification of Scandinavian lakes.

Mr Clinton Davis vigorously defended his proposed emission standards. He said they "faithfully reflected" the framework agreed by ministers in March and denied that he had failed to consult the industry before putting them forward.

"I find it a little painful that our ideas should be misconstrued in this way," he said.

Pollution row closes Berlin plant

BY RUPERT CORNWELL IN BONN

A BERLIN court has stirred up a fierce environmental and political controversy in West Germany by ordering the shutdown in the city of a battery-producing plant owned by the family of a government minister, on the grounds that it is causing lead pollution.

The decision was taken by the Berlin administration tribunal against the Sonnenschein company, run between 1957 and 1982 by Herr Christian Schwarz-Schilling, Minister for Posts. The company is still controlled by Herr Schwarz-Schilling's family.

Yesterday Herr Schwarz-Schilling called a press conference in Bonn to denounce the move. He also announced that the company's present management had already filed an appeal against the shutdown ruling, which could cost – at least temporarily – up to 250 jobs, as well as the loss of DM 270,000 ($88,000) daily for the company.

The case, which testifies to the enduring sensitivity of the whole environmental protection issue in West Germany, is notable on several counts.

Should the closure be enforced it would appear to be only the second recent occasion on which comparable action has been taken against a private West German concern. The earlier one, last June, involved a pesticides plant in Hamburg owned by the C. H. Boehringer company, held to have generated waste containing dangerous quantities of the lethal chemical dioxin.

Herr Horst Vetter, the local Berlin minister responsible for environmental matters who had earlier raised no objections to Sonnenschein's operations, has claimed that the court's new interpretation of West German pollution laws could have major implications throughout the entire country.

His words lent implicit support to Herr Schwarz-Schilling's own arguments yesterday. The minister declared that various inspections and rulings between 1977 and 1979 had found that the plant – above all its lead-smelting unit – did not infringe federal environmental norms. The sudden reversal was "unjustifiable" he said.

World Weather

		°C	°F
Ajaccio	S	23	73
Algarve	S	27	81
Algiers	S	27	81
Amsterdam	S	18	64
Athens	S	30	86
Bahrain	S	39	102
Bangkok	C	32	90
Barcelona	F	23	73
Beirut	–	—	—
Belgrade	C	16	61
Berlin	F	15	59
Biarritz	S	21	70
Blackpool	C	14	57
Bordeaux	S	23	73
Brussels	F	17	63
Budapest	S	15	59
B. Aires	S	13	55
Cairo	S	37	99
Cape Town	R	16	61
Caracas	R	27	81
Casablanca	C	24	75
Copenhagen	F	17	63
Corfu	S	24	75
Dublin	C	14	57
Dubrovnik	S	23	73
Faro	C	23	73
Florence	S	25	77
Frankfurt	F	15	59
Funchal	S	21	70
Geneva	S	20	68
Gibraltar	F	19	66
Guernsey	F	15	59
Helsinki	T	23	73
H. Kong	C	27	81
Innsbruck	C	13	55
Inverness	C	14	57
Istanbul	–	—	—
Jersey	F	16	61
Jo'burg	S	18	64
Las Palmas	–	—	—
Lima	C	19	66
Lisbon	C	24	75
Locarno	S	21	70
London	S	16	61
Los Angeles	S	29	84
Luxembourg	F	15	59
Madrid	C	26	79
Majorca	S	25	77
Malaga	C	23	73
Malta	S	26	79
Manila	R	29	84
Miami	S	30	86
Milan	S	23	73
Moscow	C	13	55
Munich	F	14	57
Nairobi	–	—	—
Naples	S	27	81
New Delhi	S	32	90
New York	S	26	79
Nice	S	22	72
Oporto	S	21	70
Oslo	S	18	64
Paris	C	21	70
Prague	–	—	—
Reykjavik	–	—	—
Rio de J'o	C	33	91
Rome	S	24	75
Salzburg	F	15	59
Seoul	S	27	81
Singapore	F	30	86
Stockholm	F	19	66
Strasbourg	C	19	66
Sydney	S	20	68
Taipei	C	28	82
Tangier	C	22	72
Tehran	–	—	—
Tel Aviv	S	29	84
Tenerife	C	24	75
Tokyo	R	18	64
Toronto	C	22	72
Tunis	S	26	79
Valencia	F	25	77
Venice	S	20	68
Vienna	F	13	55
Warsaw	C	13	55
Zurich	S	17	63

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

U.S. faces long ordeal over hijack

Continued from Page 1

by several Western governments, including that of the U.S.

Mr Reagan purposefully continued business as usual yesterday, meeting President Habib Bourguiba of Tunisia at the White House and preparing for a nationally televised news conference when he was expected to make a statement about the hostages,

White House officials intimated that Mr Reagan did not want to give the impression of being totally immersed in the crisis in the way that his predecessor, former President Jimmy Carter, became consumed with the 444-day Iranian hostage ordeal.

The few hopes of progress yesterday appeared to be founded on a possible arrangement under which the hostages would be released with guarantees that Israel would subsequently free its Shia prisoners, as it has said that it was already planning to do.

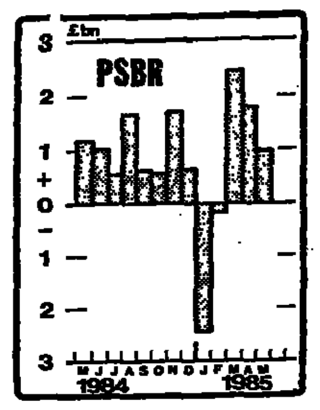
Mr Berri, however, has insisted that the hostages will not be released until after Israel frees its prisoners. The three hostages released yesterday included Mr Denis Roussos, a popular Greek singer, his American companion, Ms Pamela Smith, and a Greek-American, Mr Arthur Targontsidis. White House officials were encouraged that the move showed that Mr Berri had at least some degree of control over the hijackers.

David Lennon writes from Tel Aviv: Israel continued yesterday to adopt a hands-off position. Mr Shimon Peres, the Prime Minister, said: "If the Red Cross approaches us we will receive them; we will listen to what they have to say."

Later, his office issued a clarification stressing that while Israel would receive a Red Cross representative, under no circumstances would Israel conduct any negotiations with the international organisation concerning the release of the Shias.

THE LEX COLUMN

Losing the sense on translation



When Beecham Group announced its preliminary results last Wednesday, the stock market took one look at the profits and knocked more than 7 per cent off the company's market capitalisation. Beecham had not reported any unforeseen disaster in its operations; it had simply – and quite properly – failed to alert the market to the impact of exchange rate movements in the closing weeks of its finanical year.

In the course of March, sterling's trade-weighted index increased by 8.3 per cent, while against the dollar, the currency's appreciation was no less than 14.6 per cent. For international companies which translate foreign currency profits at end-March exchange rates, the effect of this sudden rise on their consolidated results was dramatic. The movement cost Beecham roughly £15m at the pre-tax level and at Pilkington depressed profits by £13½m.

Over the past four years it has consistently suited companies to use end-period exchange rates. Sterling's steady decline has meant that higher profits could be reported through this method than through the use of average exchange rates. It is probably no coincidence, therefore, that the use of period-end rates has been gaining in popularity. A recent survey of 262 companies by the Institute of Chartered Accountants showed that 60 per cent of respondents were using period-end rates compared with 55 per cent a year earlier.

The end-period method is frequently espoused by accounting purists since it preserves a symmetry between the profit and loss account and the balance sheet, which must by definition be translated at end-period rates. But this argument fails to recognise that the two statements are performing quite different functions. Whereas the balance sheet is a snap shot of a company's financial position on a particular day, the revenue account should reflect performance throughout the year.

The use of two different methods results in a slightly messy movement on reserves and makes it marginally more difficult to calculate a return on capital. But unless a company reports its average capital employed – and very few do – it is impossible to perform that sum accurately in any case.

Proponents of the year-end method also argue that it is simple and easy to understand. Average rates can be calculated on several different bases – daily, monthly or by splitting the difference between opening and closing rates – whereas there is only one way of working out an end-period rate. Moreover, even average rates can produce distorted results unless a company weights the calculation to reflect, for example, a seasonal trading pattern.

Yet consolidated accounts are by their nature approximations; the year-end rate may produce not just an approximation but an aberration. A company which translated profits at the end-February sterling/dollar rate, for instance, would have reflected little more than the short-lived whim of the foreign exchange market. In a volatile market, the case for using end-period rates is very thin indeed.

The average rate method has already won some adherents – Redland and Pearson are recent converts. Above all, it is essential that when companies change their mind they explain their reasoning and disclose the consequences. BTR won itself no friends by moving to end-period rates – profits increased by £19m pre-tax as a result – and tucking the adjustment away in a note to its Dunlop offer document.

Once a company has made the change, it should stick to the new policy. In an ideal world, the Accounting Standards Committee would insist on a single treatment – U.S. rules specify average rates. Sadly, the relevant UK accounting standard is a hopeless muddle.

Sony

When Sony's shares fell Y20 to Y3950 yesterday, the message was not so much disenchantment with the company's half-year results as uncertainty about the longer term. Net income, up nearly 9 per cent to Y38.1bn, was respectable enough given that exchange rates were moving the wrong way. But Sony's more mature markets are apparently becoming less profitable and its new products have yet to make a real impact on earnings.

Sales of TV sets were 25 per cent higher, mainly due to demand from China – but signs are that China is curbing its foreign exchange expenditure. Betamax, meanwhile, continues to be Sony's albatross, with sales actually falling. And the U.S. slowdown could not have come at a worse time for exports.

What Sony needs to move back into the fast forward mode seen in the 1970s is a highly successful new product. Its hopes are pinned on the 8mm video camera and deck, whose sales so far in Japan have been adequate rather than spectacular. The camera still has the advantage of lightness over the VHS models, but the Betamax failure has shown that people are reluctant to buy decks that do not play VHS tapes. Even if 8mm does take off, it may suffer the same fate as the compact disc format, where the effect of soaring sales has been to produce profits and serious competition, in that order.

UAL/Hertz

The vogue for restructuring business portfolios has no more convinced adherent than United Airlines, which has lately been reshuffling its pack with all the nonchalance of a practised card player. In the past three months UAL has arranged to strip $1bn from its overfunded pension scheme, to spend $750m on the Pacific routes of Pan Am, and realise some of its investment in the Westin hotel chain. Spending a further $587m cash on the Hertz car rental business – which RCA has been more or less willing to sell for years – appears to deal United a more comprehensive hand than its competitors in the U.S. travel game.

Hertz looks an attractive property at a time when United is fighting to regain market share after a damaging strike. With current high levels of internal air traffic, car hire capacity is at a premium, and the ability to offer an integrated service may be a good marketing ploy on UAL's air routes. On the other hand, Hertz has been a rather erratic profit centre for RCA in recent years, and the $50m return on nearly $1.5bn of sales last year is not particularly impressive. Moreover, the near-parasitic dependence of car hire on air traffic in the U.S. means that Hertz is anything but a counter-cyclical investment.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday June 19 1985

Tenneco to pay $500m for Goodyear gas lines

BY TERRY DODSWORTH IN NEW YORK

TENNECO, the diversified U.S. energy and industrial conglomerate, is strengthening its position in the natural gas pipeline industry with the $500m acquisition of Goodyear's pipeline and other gas activities in Louisiana.

The deal gives Tenneco a strong division in Louisiana, the third most important gas-consuming state in the U.S. after Texas and California. It also consolidates the Houston-based company's situation as the second largest gas pipeline operator in the country after Internorth-Houston Natural Gas, which was formed through a recent merger.

Among the main assets to be purchased by Tenneco are the 1,800-mile gas pipeline system operated by Louisiana Intrastate Gas within the state of Louisiana, a 970-mile transmission system operated by Mid Louisiana Gas Company, three gas processing plants and interests in two additional plants.

Goodyear, the U.S. largest tyre manufacturer, stressed that its Celeron All-American Pipeline Company, which is constructing a crude oil pipeline from California to Texas, was not included in the sale. It is also retaining its onshore oil and gas properties, except for its gas field at Monroe, Louisiana, along with its exploration and production business, and its extensive offshore Californian interests.

The tyre group refused to reveal the profits or sales of the gas activities it is selling and would not say how much of the $500m purchase prices was in cash as opposed to the assumption of debt. But it said it had been faced with the need to expand to stay competitive and that the pipeline business made a better fit with Tenneco's operations.

Tenneco, which first established itself as Tennessee Gas Transmission in 1943, is one of the oldest gas pipeline operators in the U.S. Its network originates in Texas and southern Louisiana and extends up the Mississippi valley into the industrial states around the Great Lakes and the large conurbations of the eastern seaboard.

The company said yesterday that the deal with Goodyear fitted with plans for the expansion of its integrated production and distribution facilities. The Louisiana pipeline will give it the opportunity to move gas into the U.S. from its offshore production facilities in the Gulf of Mexico, where it is still exploring for more wells.

Cummins Engine to sack 2,200

By Our Financial Staff

CUMMINS ENGINE, the leading U.S. manufacturer of diesel engines for heavy duty trucks, is to cut 2,200 jobs over the next few weeks because of a rapid reduction of demand for engines from North American vehiclemakers.

The company also blamed falling demand for service parts for the cuts, which will affect all levels of staff. The announcement is the first major indication of the downturn in the U.S. truck industry. Cummins said its major customers had said they were reducing build rates sharply.

The company said the costs of the cuts would be included in results for the second quarter, when it expects operating profits to be below first-quarter levels. A substantial further erosion of operating profits is expected in the third quarter.

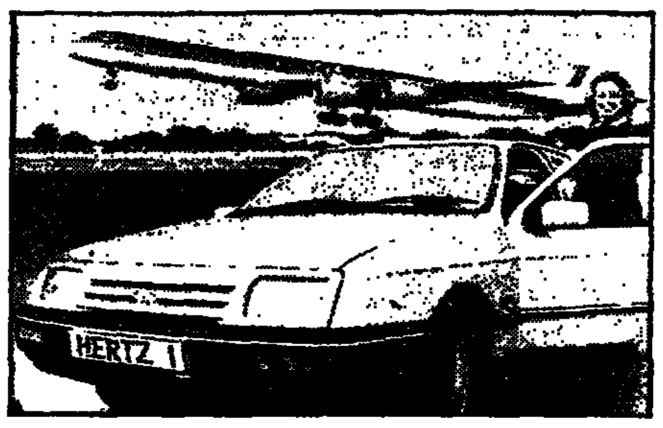
In the first quarter of 1985, Cummins reported net profits of $29.3m or $3.08 a share, against $38.4m or $4.03 a year earlier, on virtually unchanged sales of $573.2m.

U.S. AIRLINE TURNS INTO TRAVEL GIANT WITH PURCHASE OF HERTZ

UAL's drive into the future

BY PAUL TAYLOR IN NEW YORK

UNITED Airlines (UAL), the biggest U.S. airline, lures customers with cut price tickets and an invitation to "fly the friendly skies." Now UAL is going one better by acquiring Hertz, the world's number one car rental agency, for $587.5m in a move that will turn the airline into an even more formidable travel Goliath.



The Hertz transaction will mean UAL, which already owns the rapidly expanding 54-hotel Westin chain, will be the only major U.S. air carrier to be able to package together a whole travel trip including car hire, air travel and hotels. In the fiercely competitive post-deregulation U.S. air travel market this ability could prove a knock-out punch for some of UAL's weaker competitors.

Mr Richard Ferris, UAL's chairman and chief executive, called the deal a "natural fit," that would be "an extension of our leadership in the airline and hotel industries." He noted that 80 per cent of all U.S. car rentals come in conjunction with air travel and that the combination with Hertz, which has around 35 per cent of the U.S. car hire market, would enable the group to provide a full service, "from reservations to check-in to baggage handling."

The deal, apparently under negotiation for nine months, was announced jointly by UAL, and Hertz' parent RCA, the U.S. television, entertainment and high-technology group. It further signals UAL's bold confidence in its own future coming just days after the airline settled a costly 29-day pilots' strike and a month after United agreed to acquire Pan American World Airways' Pacific division for $715.5m.

Hertz, which operates a fleet of nearly 400,000 cars and trucks in more than 120 countries worldwide, has been a successful competitor in the cut-throat U.S. car hire market and earned $50m on revenues of $1.44bn last year.

Nevertheless, the car hire group has been on-and-off the auction block for the past three years as RCA has readjusted its own business strategy selling its CIT financial services group to Manufacturers Hanover for $1.5bn last year and refocusing on the communications, entertainment and electronics markets.

For New York-based RCA the deal will therefore complete a further phase in this strategy. Wall Street views the proposed deal as very positive for both UAL, which will run Hertz as a separate subsidiary under the leadership of Mr Frank Olson, the car hire company's 53-year old chairman, and RCA.

Before the deal is completed it will come under federal anti-trust scrutiny. But in the current liberal Washington anti-trust environment, Wall Street does not expect this to prove a major hurdle.

UAL, which reported a $260.9m profit last year, before extraordinary items, on revenues of $6.97bn, is expected to use part of its $1.1bn cash hoard and $750m credit line to fund the deal. Recently United moved to bolster its resources through plans to sell ownership rights in certain Westin hotels – a move that may raise as much as $2bn – and to free-up almost $1bn in excess assets from its over-funded employee pension fund.

Norsk Hydro to buy majority stake in Cofaz

By Fay Gjester in Oslo

NORSK HYDRO, the Norwegian industrial and energy group, plans to acquire a majority stake in Cofaz, the French fertiliser company, through purchases from two French concerns which together hold 80 per cent of Cofaz's shares – the oil company Total Marine and Banque Paribas.

It has signed a letter of intent to this effect with Total and Paribas but says the exact number of shares it will buy from each is still subject to negotiation, as is the purchase price. Its final stake will be somewhere between 50 and 80 per cent.

Cofaz ist France's second largest fertiliser producer, and the deal would significantly strengthen Hydro's position in the French market. It is, however, subject to approval by the governments of both countries. Hydro has informed the French authorities of its plans but has so far received no reaction.

It has been suggested in Oslo that France might make its approval conditional on an undertaking by Hydro not to close any of Cofaz's plants.

● **Store Norske Spitzbergen Kullkompani**, Norway's state-owned coal mining company on the Arctic island of Spitzbergen, made an operating loss of NKr 76.1m ($8.6m), in 1984. But state subsidies totalling NKr 215m enabled it to show a profit of NKr 88.4m after year-end allocations.

A year earlier, with considerably smaller subsidies, it showed an overall deficit of NKr 82.6m and operating losses of NKr 76.4m. Turnover in 1984 was 14 per cent up, at NKr 277m, of which coal sales accounted for NKr 234m.

● **Dyno Industrier**, the Norwegian plastics, chemicals and explosives group in which Norsk Hydro recently acquied a controlling stake, reports turnover growth running ahead of profits in the first four months of 1985.

Gross operating income reached NKr 1.04bn – 15 per cent up on the same period a year earlier – while pre-tax profits rose by only 6.9 per cent to NKr 62m. Dyno expects a full-year profit slightly better than in 1984, when it made a surplus of NKr 180m before extraordinary items.

CDIC loss doubles as failures mount

BY BERNARD SIMON IN TORONTO

CANADIAN depositors should lose at least 10 per cent of their assets entrusted to a failed financial institution, a committee examining the financial problems of Canada Deposit Insurance Corp (CDIC) has recommended.

The committee's report was released as CDIC, a government agency, revealed that its deficit had almost doubled in the past year to C$1.3bn ($1bn), which is within C$200m of the limit on CDIC borrowings from the federal Government.

The committee, headed by Mr Robert Wyman, chairman of the Vancouver securities firm Pemberton Houston Willoughby, was set up earlier this year in response to mounting controversy on the role played by CDIC in recent failures and near-failures of financial institutions.

Although the agency is legally bound to cover only deposits up to C$60,000, the Government has in several cases instructed it to pay out all depositors no matter what the size of their accounts. This decision pushed CDIC into the first loss of its 18-year existence in 1983.

In addition, banks have complained strongly that while they are by far the largest contributors to CDIC resources, the bulk of the agency's funds have been used to help depositors in trust companies. Several failures have become the subject of police investigations.

The Wyman committee argued that transferring some risk to depositors will make them more selective in their choice of financial institutions. When depositors have no risk, "they will obviously favour those institutions that pay higher rates," the committee said.

It has also proposed that CDIC premiums, levied on member institutions, should be raised from one-thirtieth of 1 per cent of deposits to one-tenth of 1 per cent. CDIC should have wider powers, including the ability to take over an institution "carrying on unsound business practices."

IBM steps up pressure

By Our Financial Staff

IBM, the world's largest computer maker, yesterday increased the pressure on its rivals with a raft of price cuts and new product announcements.

The company intoduced the System/36 PC, which combines a new "entry-level" System/36 mainframe and a directly-attached personal computer. It also announced three new personal computer AT versions of 3270-PC workstations, a host graphics display, two low-cost terminals and three devices for transmitting computer data over telephone lines.

Meanwhile, it reduced the price of its 4381 mainframe by 6 to 8 per cent and its intermediate 4361 model by up to 6 per cent. Prices for serveral small system displays and printer were cut by 7 to 20 per cent.

IBM said the price cuts were the result of normal business reviews.

Flick to retain 15% of Krauss-Maffei

BY RUPERT CORNWELL IN BONN

THE FLICK industrial group of West Germany would retain a 15 per cent stake in Krauss-Maffei under its latest plan for the sale of the arms and engineering company.

Herr Wolfgang Laaf, the member of the supervisory board who has been handling the complex and protracted negotiations for the transfer of control of Krauss-Maffei to a consortium of banks and industrialists, gave details of the plan to the arms manufacturer's annual meeting yesterday.

Under the scheme, which is now being scrutinised by the federal cartel office in Berlin, Buderus, the Flick subsidiary which holds the interest, would see its stake in Krauss-Maffei drop from the current 96.4 per cent to 15 per cent.

The chief new shareholders would be the Bavarian regional finance agency, Landesanstalt für Aufbaufinanzierung (LfA) with 24.45 per cent, as well as three banks – Dresdner Bank, Deutsche Bank and Bayerische Vereinsbank – with 10.9 per cent, 10.1 per cent and 10 per cent respectively.

Apart from a residual 3.6 per cent which would remain in the hands of small shareholders, the final – and most closely watched – bit holding of 24.95 per cent would be made over to Raketen Technik, a company jointly owned by Diehl, the Nuremberg-based arms group and Messerschmitt Bölkow-Blohm (MBB), the aerospace and armaments group.

The cartel authorities have previously been very wary of allowing MBB to obtain anything close to straight control of Krauss-Maffei, for fear of the near-monopoly in West German arms production that this might engender.

For that reason earlier efforts by MBB to gain first a financial majority in Krauss-Maffei, and subsequently disguised management control, have come to nothing. No details of the value of the consortium's offer have emerged although an earlier bid, for Buderus's full 96 per cent stake, was valued at DM 170m ($55m).

U.S. bodies agree on approach to securities

BY OUR FINANCIAL STAFF

THE U.S. Securities and Exchange Commission, Federal Reserve Board and Treasury Department have agreed a joint approach to regulation of the government securities market in the wake of the collapse earlier this year of ESM Government Securities, which led to widespread upheaval in U.S. financial markets.

Under proposals drafted jointly by the three bodies, the Treasury in consultation with the Fed would be empowered to adopt rules bringing a measure of regulation to the market, which consists to a large extent of small undercapitalised securities dealers.

The agencies agreed that if Congress determined legislation to regulate the market was necessary, all currently unregistered dealers should be registered with a Federal agency, according to details of the agreement announced at an open hearing of the SEC yesterday.

While the agencies differ on some aspects of further regulation, their proposals would give the Treasury authority to set capital requirements and require regular examinations of dealers. The Treasury would also be authorised to set record keeping and collateralisation requirements for dealers.

The SEC would have the authority to bar those dealers who violate the rules.

Mr John Shad, SEC chairman, will present the proposals tomorrow to the House of Representatives energy and commerce subcommittee, which is considering legislation on the sector following the collapse of ESM, which led to the closing of some 70 Ohio thrift institutions in March.

Heinz expects 9% upturn

H.J. HEINZ, the U.S. food processing group, expects to report a 9 per cent profit gain in the fourth quarter and a 12 per cent rise for all the fiscal year ended May 1, said Mr Anthony O'Reilly, president and chief executive officer, **Dow Jones reports from Pittsburgh.**

For the fourth quarter, Heinz would report earnings of about $68m, or $1 a share, compared with $62.9m, or 91 cents, a year ago, Mr O'Reilly said. The latest quarter includes an expected $5m to $6m extraordinary gain from a debt swap.

For the year, Heinz will report earnings of about $265m, or $3.84, compared with fiscal 1984 earnings of $237.5m, or $3.40.

Foreign currency translations and the effect of the strong dollar reduced sales by more than $80m in the fourth quarter and $200m for the year.

INTERNATIONAL BONDS

Belgium leads $650m rush of floaters

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A FURTHER rush of floating rate notes hit the Eurobond market yesterday, including a $400m deal for Belgium and a $250m issue for Banque Nationale de Paris.

Belgium's issue, which had been expected since the end of last week, once again employs the mismatch formula whereby the coupon is fixed monthly but interest is paid only every six months.

When the yield curve is steep, this formula allows investors extra profits by funding their holding with cheap one-month money. But there is currently little difference between the one-month and six-month rates and Belgium's issue met only limited demand, like a similar deal for Hydro Quebec launched last week.

Led by Morgan Guaranty, the 20-year issue pays interest at the higher of the six-month bid rate for Eurodollar deposits in London (Libid) or the one month offered rate (Libor). The structure offers protection against the yield curve actually turning negative.

By contrast, investors again flocked to buy a floating rate note with a maximum coupon when Banque Nationale de Paris launched its 12-year deal, alongside Salomon Brothers, CSFB and Lehman Brothers.

BHF Bank bond average		
June 18 102.900		Previous 102.802
High 102.900	1985	Low 99.840

Here the high ⅜ per cent margin over three-month Libid was the main attraction, outweighing the 13 per cent maximum coupon which enables the proceeds to be swapped into floating rate funds well below Libor.

A similar structure was built into a smaller $75m, 12-year issue brought to the market yesterday afternoon by Salomon Brothers for Swedbank. This deal also bears a maximum coupon of 13 per cent and a margin of ¼ per cent over three-month Libid.

Trading in fixed rate bonds was quiet ahead of tomorrow's U.S GNP estimate, but there is evidence of selective investor interest in issues from high-quality names. Procter & Gamble met a warm reception for a $150m, 10-year, 10 per cent issue through Goldman Sachs, Morgan Guaranty and Salomon Brothers.

Elsewhere, Florida Federal Savings and Loan launched a $160m, zero coupon collateralised against U.S. government and mortgage securities. The deal, led by Kidder Peabody, Daiwa, Merrill Lynch and Nomura, is priced at 38.15 per cent, giving a redemption yield of 11.10 per cent excluding the 2 per cent fees.

Viacom, the U.S. communications and entertainment concern, launched a $50m, 15-year convertible issue through Credit Suisse First Boston alongside Donaldson Lufkin & Jenrette. Indicated coupon is 7 to 7½ per cent and conversion premium 15 to 18 per cent.

In other currency sectors the World Bank is raising SwFr 600m through a three-tranche private placement split equally into a five, six and seven-year maturity. Coupons are 5½ per cent, 5⅝ per cent and 5¾ per cent respectively and each tranche is priced at par. Credit Suisse is overall co-ordinator but each tranche will be managed separately by one of the big three Swiss banks.

Yesterday also saw the launch of the first Swiss franc private placements to be led by Japanese banks, a controversial move in Switzerland whose own banks cannot lead issues in Tokyo. The deals included a SwFr 10m private placement for MK Seiko led by LTCB (Schweiz) and a SwFr 20m deal for Suzuyo & Co led by IBJ (Switzerland).

Fiat meanwhile launched an Ecu 55.5m, 4½-year issue with a coupon of 8¾ per cent and issue price par led by Mitsubishi Finance International. Proceeds are to be swapped into floating rate dollars "subtantially below Libid."

The Ontario municipality of Hamilton-Wentworth reopened the Canadian dollar market with a C$25m, 10¾ per cent issue led at 99¾ per cent by Wood Gundy. This is its first Euromarket issue, and the first Canadian dollar issue for more than two weeks.

Peugeot

A REPORT in yesterday's FT on Peugeot's $300m loan facility wrongly described the company as being state owned. We regret any misunderstanding that may have arisen from this error.

INTERNATIONAL COMPANIES and FINANCE

Levi Strauss profits increase five-fold

BY OUR FINANCIAL STAFF

LEVI STRAUSS, the world's leading jeans manufacturer, has extended its profits recovery, with a five-fold increase in net earnings for the second quarter ended May 26.

Profits jumped from $6.3m or 17 cents a share to $32m or 86 cents. Mr Robert Haas, president, said the results reflected "the benefit of a lower effective tax rate, last year's cost reduction initiative, the continuing strength of our men's jeans sales and the streamlining of our product offerings."

Last year's second-quarter results reflect a $24.5m after-tax charge for plant closures and other business consolidation costs, as well as an effective tax rate of 75.5 per cent. The tax rate in the latest quarter was 45.4 per cent.

For the first six months net profits were up from $17.2m or 43 cents a share to $45.6m or $1.23. Sales, however, were down, from $1.19bn to $1.13bn for the six months and from $659.8m to $615.7m in the second quarter.

Levi was hit last year by an increasing fashion consciousness which hit demand for traditional denim. In the latest quarter, U.S. jeans division sales were down 5 per cent from a year ago to $344.5m. Mr Haas said the improvement in the sales of Levi's 501 jeans for all consumers and other jeans for men was offset primarily by a decline in youth wear sales and the discontinuation of several product lines.

Elsewhere, Battery Street Enterprises, which sells diversified clothing products in the U.S., lifted sales by 5 per cent to $127.8m, while Levi Strauss international sales were down 18 per cent to $142.6m.

The company said it expected second-half earnings to show significant improvement from the $24.1m in the comparable period last year. Mr Haas said strong back-to-school orders for jeans in the U.S. should help third-quarter sales.

First Union agrees to buy Atlantic Bancorp

BY PAUL TAYLOR IN NEW YORK

FIRST UNION, the Charlotte, South Carolina, banking group, is to acquire Atlantic Bancorp of Jacksonville, Florida, in an agreed interstate share-swap merger valued at $496m, as reported in brief yesterday.

The planned First Union acquisition was announced in the wake of last week's Supreme Court ruling which cleared the way for new alliances to be formed under the protective umbrella of regional interstate banking pacts.

For First Union, the proposed acquisition is its second planned expansion across state lines. The Charlotte group, which currently has around $7.9bn in assets, ranking it about 45th in the league table of U.S. banks, has already agreed to acquire Northwestern Financial, a Greensboro, North Carolina-based group with $2.9bn in assets.

The planned new South Carolina/North Carolina/Florida banking conglomerate will have combined assets of $14.4bn and rank among the 30 largest U.S. banking groups.

Under the terms of the latest deal, Atlantic Bancorp shareholders will receive 1.05 shares in First Union common stock for each share they own. The agreement also provides for First Union to acquire up to 3.5m Atlantic Bancorp shares under certain conditions – a move which appears designed to shut out rival bids.

Coca-Cola acquires two TV companies

BY OUR NEW YORK STAFF

COCA-COLA, the U.S. soft drink and entertainment group, has agreed to pay $485m in cash and stock for Embassy Communications and Tandem Productions, two privately held television programme production companies.

The agreed bid represents a further major expansion into the entertainment industry by Coca-Cola, which already owns Columbia Pictures and a third of Tri-Star Pictures.

The Atlanta-based group said it would pay about $194m, or 40 per cent of the total purchase price, in cash for Tandem and the balance in stock for Embassy.

Coca-Cola said the purchase price will be reduced by between $100m and $150m depending on the size of the Embassy debt it will assume. After certain restructuring arrangements, including the sale of receivables, Coca-Cola's net investment in the two companies will be reduced to about $130m.

The company said it does not plan to sell any of the programming rights but expects to dispose of all or part of Embassy's home video operations after the deal is completed. Columbia Pictures already has joint venture home video operations with RCA.

Embassy and Tandem are owned by Mr Norman Lear and Mr Jerry Perenchio and have built up extensive libraries of television programming, including a number of current network series.

Ahold to buy Van Kok-Ede

AMSTERDAM – Ahold, the Dutch grocery chain, has signed a letter of intent to acquire the share capital of Van Kok-Ede, a leading Dutch supplier of foods and other products, for an undisclosed sum.

Ahold said yesterday that on completion of the deal, its share of the institutional supply market would rise from 5 per cent to about 20 per cent.

Ahold already operates in the Dutch institutional supply market through its Albert Heijn Grootverbruik subsidiary. Executives declined to disclose the annual turnover or profit of Van Kok, but described the company as "a market leader." AP-DJ

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 18.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	102½	103	0	+0¾	10.13
Amex Credit 12⅝ 88	150	107¼	107¾	0	+0½	9.87
Bank of Tokyo 13⅝ 91	100	114	114½	−0¼	+0⅜	10.33
BP Capital 11⅞ 92	150	102⅝	103⅛	−0⅛	+0½	10.47
Caisse Nat Tele 13¾ 91	100	114¾	115¼	0	+0¾	10.28
Canada 11½ 90	500	106⅝	107⅛	0	+0⅞	9.61
Canadian Pac 12½ 95	75	108⅞	109⅜	+0⅜	+0⅜	11.17
CBS Inc 11⅞ 92	100	103¼	103¾	+0⅛	+0½	10.95
Chevron U.S.A. 12¼ 89	600	105	105½	0	+0¾	10.63
Coca Cola 11¾ 91	100	106⅞	107⅜	0	+0⅝	9.96
Denmark Kingdom 11½ 90	100	104	104½	+0⅛	+0½	10.34
Denmark Kingdom 11½ 92	100	103⅞	104⅜	+0¼	+1	10.60
Denmark Kingdom 13¾ 91	100	112	112½	+0¼	+1	10.45
Denmark Kingdom 14 91	100	119⅜	119⅞	−0⅛	+0⅜	11.46
E.E.C. 11⅛ 90	100	103⅞	104⅜	+0⅛	+0⅜	9.93
E.I.B. 12 95	200	109⅛	109⅝	0	0	10.42
E.I.B. 13 96	200	111¼	111¾	0	+0⅞	11.14
Export Dev Corp 12 89	100	106⅞	107⅜	+0⅛	+0⅞	9.88
Exxon Capital Corp 0 2004	1800	13⅜	13⅞	0	+0⅛	10.82
Ford Motor Cred 11⅝ 95	100	102⅝	103⅛	−0⅛	+0½	11.11
Ford Motor Cred 11¾ 92	100	104¼	104¾	−0⅛	+0½	10.78
Gen Elec Credit 10¾ 00	200	101	101½	+0⅛	+0⅞	10.06
GMAC 10¼ 89	200	100⅞	101⅜	0	+0⅞	9.89
IBM Credit 10⅞ 2000	300	101⅝	102⅛	0	+0⅞	10.71
IBM Credit Corp 11¾ 87	200	104⅝	105⅛	0	+0⅝	9.23
Indust Bk Japan 12⅞ 89	100	109	109½	−0⅜	+0¼	10.08
Int–Am Dev Bk 12¾ 91	150	110⅛	110⅝	−0¼	+0¾	10.41
Japan Air Lines 13⅞ 94	180	118⅜	118⅞	−0⅛	+0⅜	10.14
Kellogg Company 10⅞ 90	100	103⅛	103⅝	+0⅛	+1	9.89
Kellogg Company 11¼ 92	100	104⅛	104⅝	+0⅛	+0½	10.25
L.T.C.B. 12⅞ 91	100	110¾	111¼	0	+0⅝	10.49
Macy Cred Corp 11¾ 95	100	105¼	105¾	0	+0⅝	10.82
Mellon Bank 13 87	100	108¼	108¾	0	+1⅛	9.54
Merrill Lynch 12¾ 89	100	105⅞	106⅜	0	+0⅝	10.95
Minnesota 11½ 87	100	103½	104¼	+0⅛	+0½	9.51
Mitsui Trust 11⅝ 90	100	104⅛	104⅝	−0¼	+0¾	10.46
Montagu 13¼ 91	100	108⅞	109⅜	0	+1⅛	11.11
Morgan Guaranty 12⅝ 89	150	107⅜	107⅞	+0⅛	+1	10.07
Nippon Cred Bk 13⅞ 89	100	111⅛	111⅝	−0⅛	+0¾	10.30
Nth America 12⅞ 91	100	† 106½	107	0	+0⅝	11.28
Penney J.C. 12¾ 91	100	109⅜	109⅞	+0⅛	+0⅝	10.55
Pru Realty secs 12⅛ 95	546	108⅝	109⅛	0	+0¾	10.58
Quebec Hydro 11½ 92	100	106¼	106¾	0	+0¼	10.19
Ralston Purina 11¾ 95	150	105⅛	105⅝	−0⅛	+0⅜	10.65
Ralston Purina 12¾ 89	100	108⅝	109⅛	+0⅛	+0¾	10.08
Royal Bk Can 12¾ 92 XW	100	102¼	103	−0⅛	+0½	12.11
Saskatchewan 10 3/4 92	100	102⅛	102⅝	+0⅜	+1	10.22
Saskatchewan 11 7/8 89	100	106⅛	106⅝	−0⅛	+0⅜	9.96
Statoil 13½ 89	100	111¼	111¾	−0¼	+0½	9.93
S Wales Trsy 11¾ 90	150	105⅜	105⅞	−0⅛	+0½	10.15
Swed Exp Cred 12¾ 89XW	100	107½	108	+0¼	+1¼	10.36
Sweden Kingdom 10⅞ 90	200	102⅞	103⅜	0	+0⅝	10.03
Sweden Kingdom 11½ 89	200	105⅛	105⅝	0	+0⅝	9.92
Sweden Kingdom 11¾ 94	100	107⅛	107⅝	+0⅛	+0⅝	10.46
Texaco Capital 12⅞ 87	300	105	105½	+0⅛	+0⅜	9.55
Tokai Asia 11½ 95	100	104⅛	104⅝	0	+0¼	10.76
Victorian Rep 11⅝ 92	150	105¾	106¼	0	+0½	10.35
Walt Disney Pro 12½ 87	150	105½	106	0	+0¾	9.52
Weyerhaeuser 12¼ 87	150	105	105½	+0⅛	+0¾	9.56
World Bank 12¾ 94	150	110½	111	−0⅛	+0¾	10.38
World Bank 12⅞ 94	200	113⅝	114⅛	0	+0¾	10.44

Average price change On day 0 on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	103	103½	+0¼	+0¼	7.49
Austria Republic 7⅝ 94	200	102½	103	0	0	7.19
Baxter Travenol 7¼ 94	200	101⅝	102⅛	0	−0⅛	6.95
Credit National 8⅛ 94	200	104¼	104¾	0	−0⅛	7.39
Degussa Int Fin 7½ 94	100	103¾	104¼	+0⅛	0	6.95
E.E.C. 8 92	200	103⅝	104⅛	0	−0⅜	7.28
E.I.B. 7¼ 94	300	99⅞	100⅜	0	+0¼	7.22
Escom 8 92	150	99½	100¼	+0⅜	−0¼	8.01
Ferrovie Dello Stato 8 91	100	103⅝	104⅛	−0⅛	+1	7.12
Finland Republic 7 92	200	99	99½	0	0	7.14
Gould Int Fin 7⅝ 91	100	103¼	103¾	0	−0¼	6.89
Ireland 8⅛ 92	150	102½	103	+0¼	−0⅛	7.59
Japan Fin Corp 7⅝ 91	100	102⅝	103⅛	0	−0⅞	7.02
Mitsubishi Hvy 3½ 89WW	300	† 116½	117½	+1	+0½	−0.90
Mitsubishi Hvy 3½ 89XW	300	89⅝	90⅝	−0¼	−0⅞	6.52
Mitsubishi Met 3⅛ 89WW	100	99	100	0	−0¾	3.24
Mitsubishi Met 3⅛ 89XW	100	86½	87¼	0	+0⅛	6.58
Pepsico O/S Fin 7¼ 94	250	102¾	103¼	+0¼	+0⅜	6.77
Renfe 7¾ 95	100	100⅜	100⅞	0	+0⅜	7.65
Renown 3⅛ 90	80	104⅞	105⅝	0	+0⅜	2.02
Reynolds O/S Fin 7⅞ 94	125	102¾	103¼	0	0	7.01
Societe Cent Nuclear 8 91	100	103⅞	104⅜	+0⅛	−0⅛	7.13
Sth African Tran 7⅝ 92	100	96½	97	+0⅛	−0⅛	8.21
World Bank 7¾ 89	100	102⅛	102⅞	+0⅛	+0⅛	6.93
World Bank 8 94	200	105⅛	105⅝	+0⅛	+0½	7.14

Average price change On day +0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	†*101¼	101½	0	0	6.05
Asian Dev Bank 6⅛ 96	100	† 101¼	101½	+0¼	−0½	5.95
Avon Cap Corp 5⅝ 94	130	† 98½	98¾	−0¼	0	5.90
Brit land Comp 6½ 89	75	† 102½	102¾	−0½	−0½	[illegible]
Council of Europe 6 92	120	† 101½	101¾	−0¼	0	5.72
Creditanstalt 5½ 94	100	† 98¼	98½	0	+0¼	5.72
Deutsche Bk Fin 5⅝ 95	100	† 100½	100¾	−0¼	−0½	5.59
E.I.B. 5⅝ 94	120	† 101¾	102	0	+0¼	5.67
Eurofima 5 97	100	†*98½	98¾	−0⅜	−0¾	5.16
Eurofima 5¼ 95	100	†*100½	100¾	0	0	5.17
Export Dev Corp 5⅝ 92	125	† 100	100¼	0	−0¼	5.35
First Boston Inc 5¾ 94	60	† 101	101¼	+0½	0	5.58
Gen Occidentale 4½ 94	80	† 102½	102¾	+0½	−0¾	4.16
I C Industries 5⅝ 94	125	† 99¾	100	−0¼	−0¾	5.64
Ind Fund Fin 5¾ 94	40	† 100¼	100½	0	0	5.69
Int–Am Dev Bk 6⅛ 94	120	† 101½	102	−0⅜	−0⅜	5.87
New Zealand Govt 5¾ 94	150	† 102	103	−0⅛	−0⅛	5.40
N.Zealand steel 5¾ 96	70	† 98¾	99	−0½	−0¼	5.88
Oberos Ktwk 5⅝ 95	100	† 98½	99	+0⅜	−0⅛	5.54
Ost Donaukraft 5⅝ 95	70	† 98¾	99	0	−0½	5.82
Ralston Purina 5⅝ 94	125	† 99	99¼	−0¾	−0⅜	5.49
Santos Finance Ltd 6 94	130	† 98	98¼	−0½	−0½	6.26
Tokyo Elec Pwr 5½ 93	120	† 98¼	98½	−1½	−1½	5.76
Tokyo Metropolis 5¼ 94	80	† 100	100¼	+1¼	+1¼	5.23
World Bk 5¾ 94	150	† 101	101¼	+1	+0¼	5.59

Average price change On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	99⅝	100⅞	+0⅛	+0½	7.01
BP Overseas 7 92	17	100⅜	101⅛	0	+0⅜	6.89
Fed Nat Mort 6⅞ 92	50	98⅞	99⅜	+0¼	+0⅜	7.00
Finland Republic 6¾ 90	15	99½	100	+0⅛	+0¾	6.91
World Bank 6⅝ 90	25	99⅝	100⅛	0	+0½	6.65

Average price change On day +0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 12¼ 97 C$	125	† 106	106½	+0⅛	+0¼	11.25
British Columbia 12 90 C$	125	† 104⅛	104⅝	+0⅛	+0⅜	10.77
Can Nat Rail 12½ 95 C$	100	† 107⅛	107⅝	+0⅛	+0⅜	11.21
Chrysler Cred 12⅝ 92C$	60	† 103¾	104¼	+0⅜	+1	11.74
Desjardins 12½ 90 C$	50	† 103¼	103¾	0	+0¾	11.52
E.I.B. 12 95 C$	75	† 103¼	103¾	+0¼	+0⅞	11.36
New Brunswick 11⅝ 95C$	75	† 101¼	101¾	−0⅛	−2¼	11.38
N.Z Govt. 9¼ 90 ECU	100	100⅜	100⅞	−0⅛	−0⅛	9.09
N.Z Govt. 9½ 92 ECU	100	100½	101	−0⅛	−0⅛	9.36
Rabobank 9⅝ 95 ECU	75	103¾	104¼	−0⅛	−0⅜	9.00
Eurofima 7½ 92 FL	50	101	101½	+0⅛	+0⅜	7.26
Philips Lamps 7½ 90 FL	100	101⅞	102⅜	+0⅛	+0⅛	6.96
Rank Xerox 8 90 FL	100	102¾	103¼	0	+0⅛	7.26
Van Lanschot 7½ 90FL	50	100⅞	101⅜	0	+0⅛	7.22
World Bank 7½ 90 FL	150	100⅞	101⅜	0	+0¼	7.21
Gaz de France 11¼ 00FF	500	100⅜	100⅞	0	−0⅛	11.35
American Brands 12 95 £	40	103⅝	104⅛	0	+0¼	11.39
Amer Express 11¾ 92 £	30	103	103½	0	+0⅜	10.86
Australia Comm 11 92 £	40	98⅛	98⅝	−0⅛	0	11.33
BP Capital 10¾ 92 £	50	97¾	98¼	0	0	11.14
E.I.B. 11⅛ 93 £	50	99⅝	100⅛	−0⅛	+0¼	11.13
Inco 12¾ 93 £	50	101¾	102¼	+0⅛	+0⅜	12.27
Mcdonalds 10⅞ 90 £	40	98¾	99¼	+0⅛	+0½	11.18
Norsk Hydro 11⅝ 91 £	50	101¾	102¼	0	0	11.19
Privatbanken 11⅞ 92 £	20	99⅝	100⅛	0	0	11.88
Rank Xerox 11 92 £	40	96⅜	96⅞	0	+0⅜	11.38
Royal Trustco 11⅛ 90 £	30	99¼	99¾	−0¼	−0½	11.40
Ster Drug Cap 10⅞ 90 £	30	99	99½	0	0	11.37
Swed Exp Cred 11⅛ 92 £	50	100⅛	100⅝	+0⅛	0	11.27
Tsthouse Forte 11⅛ 90£	50	97⅜	97⅞	0	+0¼	11.77
World Bank 11¼ 95 £	100	100¼	100¾	0	+0¼	11.16
E.C.S.C. 10½ 94LF	100	104⅞	105⅜	0	−0¼	9.58
Nat Lux Alum 10½ 92 LF	600	105⅞	106⅜	+0⅛	+0¾	9.34

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 89	0⅛	100⅝	100⅞	11/10	9⅝	9.56
Banco di Roma 5¼ 92	0	100	100¼	24/6	7.88	7.87
BankAmerica O/S 5¼ 96	0⅛	100	100¼	28/6	8.81	8.80
Bank of Montreal 5 96	0⅛	100¾	101	29/7	8¾	8.67
Bankers Trust 5 2000	0	99⅞	100⅛	11/6	9.31	9.31
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/8	8.38	8.34
B.F.C.E. 5¼ 99	0⅛	100⅝	100⅞	13/9	10.06	10.00
B.N.P. 5¼ 95 (July)	0¼	100⅛	100⅜	22/7	9⅛	9.10
C.C.F. 5¼ 97	0	99⅝	99⅞	22/8	10⅝	10.65
Chase Man'tn 5¼ 2009	0⅛	100	100¼	5/6	9.09	9.08
Citicorp O/S 5¼ 96 Sep	0⅛	100¼	100½	19/12	11.19	11.16
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.69	9.63
Dresdner Fin 5¼ 89	0	100	100¼	25/6	9⅝	9.60
Ireland 5¼ 97	0	100½	100¾	26/10	9.69	9.63
Ireland 5¼ 99	0	100⅝	100⅞	14/9	10	9.96
Italy, Republic 5 94	0⅛	100¼	100½	12/11	8⅞	8.84
Lloyds Euro 5 2004	0⅛	100¼	100½	18/10	9⅛	9.09
Midland Int Fin 5 89	0⅛	100½	100¾	6/9	10.44	10.37
Nat West−Perp 5 89	0⅜	101	101¼	13/11	9⅛	9.02
Queensland Coal 5¼ 96	0¼	100⅝	100⅞	12/11	9	8.93
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	2/8	12.81	12.93
Societe Gen 5¼ 95	0	† 100¾	101	12/10	9⅛	9.42
Sweden Perp 5¼ 85	0¼	100⅛	100⅜	9/7	9.44	9.41
Tokai 5¼ 89	0⅛	100½	100¾	12/6	9.94	9.86
Toyo 5¼ 89	0⅛	100⅜	100⅝	14/6	8.81	8.76

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	96⅜	97⅜	−0¼	−1.89
Fanuc 3¾ 98	1/84	7032.3	141	142¼	−2¼	34.06
Fujitsu 3 99	5/84	1320.9	82⅝	83⅝	+0⅛	19.93
Kumagai Gumi 3½ 2000	3/85	600	115½	116½	+0⅜	3.37
Marui 3½ 99	7/84	1162	98¾	99¾	−0¼	−1.77
Mitsubishi Elec 2⅞ 00	3/85	422	93⅛	94⅛	+0½	−2.85
Murata 3½ 99	2/84	2351.2	93⅞	94⅞	−2⅜	19.91
Murata 3½ 2000	7/84	2398	92¾	93¾	−2⅛	22.76
Nippon Elec 2⅞ 2000	1/85	1295	84¼	85¼	+0½	28.34
Nippon Oil Co 3 2000	5/85	923	108¾	109¾	+4¾	4.42
Nippon Oil Co 3¼ 99	3/84	1052	95⅝	96⅝	+4⅛	13.78
Oki Elec Ind 3½ 99	10/84	805	88⅞	89⅞	−0¼	28.32
Orient Leasing 5¼ 98	8/83	2680	109¾	110	+0¾	−4.30
Sekisui House 3 99	6/84	612	111⅜	112⅜	−0⅛	0.49
Sony Corp 2 2000	5/85	4578	87¼	88¼	−0½	1.19
Sumitomo Corp 2⅞ 99	5/84	593	125⅞	126⅞	+4⅛	2.37
Taiyo Yuden 3¼ 2000	3/85	1078	87	88¼	−0⅜	−2.91
Takeda Riken 3⅛ 2000	10/84	7663	81½	82½	0	28.77
Tokyo Sanyo Elec 3½ 99	12/84	772	88¼	90¼	+0⅜	1.86
Toshiba Ceramics 3 2000	4/85	1734.2	82⅞	83⅞	−0¼	1.48
Nippon Oil Co 2⅞ 92 SF	3/84	1052	† 103½	103¾	−2⅞	4.76
Nippon Shinpan Co 2 92 SF	3/84	801	†*104½	106½	+1⅜	10.87
Settsu Paper 2¼ 92 SF	4/84	677	†*133	135	−17	−0.08
Asics 5 92 DM	12/83	520	108	109¾	+1⅛	20.03
Sum Realty 6¼ 92 DM	2/83	338	277¼	278¾	+6	[illegible]

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

MAS proposals anger brokers

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE stockbrokers are angered by legislative proposals which, if enacted, would bring them under the supervision of the Monetary Authority of Singapore (MAS), the Government's powerful regulatory agency for the island state's banks.

The proposals, framed by the MAS and Attorney General's office, are still in draft form. Details remain scanty, but they include the idea of MAS scrutiny of the books of stock exchange members, which would entail the appointment of a MAS representative to the stock exchange's executive committee.

The idea has provoked a horrified reaction, primarily because of the threat to confidentiality but also because direct central bank regulation of the stock market is seen as going too far even in Singapore, where the MAS already has an imposing presence on the watchdog Securities Industry Council.

The timing of the proposal is awkward because a special economic committee, set up by the Government to help determine Singapore's future direction, is expected to discuss reform of the capital market, including the stock market.

This holds out the prospect of deregulation and wider membership of the Singapore Stock Exchange, perhaps including foreign participation. Dr Richard Hu, the Finance Minister, has already spoken out in support of an unlisted securities market and the listing of foreign companies.

The MAS proposals, which coincide with persistent weakness in the market, seem inconsistent with these ideas, and the authorities may yet lighten the heavy hand of regulation now being suggested. But it is not clear whether the principle of direct regulation will be jettisoned.

Any new legislation would amend or replace the existing Securities Industry Act of 1973, which regulates the Singapore securities industry. The SIC established under the Act administers the Takeover Code and advises the exchange on listings. The stock exchange is otherwise broadly self-regulating.

Negara urges interest rate cuts

BY WONG SULONG IN KUALA LUMPUR

BANK NEGARA, the Malaysian central bank, is pressing commercial banks and other financial institutions to lower their interest rates to stimulate the economy and to instil business confidence.

In meetings with representatives of commercial banks, merchant banks and finance companies over the past two days, Datuk Jaffar Hussein, the newly appointed central bank governor, also expressed concern over the current low morale within the banking community.

The meetings are held against the background of growing unease about the health of the Malaysian banking system, which sparked off rumours that caused a run at two branches of Public Bank on Monday.

Datuk Jaffar told the bankers that he was unhappy over the wide margin — of 3 to 4 percentage points — between their landing and cost of funds. The margin among Singapore banks is only between 0.5 and 1.5 points.

The governor said he would like Malaysian banks to lower their interest rates after the Moslem fasting month which ends this week.

The bankers responded by saying that the Government could encourage lower interest rates by allowing banks to increase their loan deposits ratio, and reduce lending to the "priority sectors."

At present, about 20 per cent of total bank lending has to go to the "priority sectors," where the interest rate is 10 per cent, compared with the cost of funds, which is around 11 to 12 per cent.

Meanwhile, calm has returned to Public Bank following Monday's stream of withdrawals at its two branches in Ipoh City.

Bankers said the run had ironically highlighted the relatively strong liquidity position of Public Bank, which revealed yesterday that it has placed M$1.7bn in the interbank money market. They said Public Bank may even have breached the maximum liquidity ratio stipulated by Bank Negara.

Tan Sri Basir Ismail, chairman of the Association of Banks and head of Bank Bumiputra, reiterated the Government's assurance that Malaysian banks are financially sound, and that the Public had over-reacted to rumours.

He said the association would come out "in full support" for any of its members if it was facing a similar problem as Public Bank.

HK bank profits decline 92.5%

BY OUR FINANCIAL STAFF

UNION BANK of Hong Kong, one of the territory's medium-sized banks, yesterday reported a 92.5 per cent slide in 1984 net earnings to HK$2.8m (U.S.$0.36m) in accounts which were qualified by Coopers & Lybrand, its auditors.

The reason for the qualification was not made clear, but the earnings result—which compared with HK$37.7m for 1983—was struck after unspecified provisions and inner reserve adjustments. The figures also came two months later than normal.

On a per share basis, net earnings were 2.8 cents against 38 cents. The final dividend is being omitted, leaving the total payout for the year at 12 cents compared with 50 cents.

Local analysts believe that substantial foreign exchange losses might have been incurred in South-East Asia, with some suggesting Indonesian property dealings as one main source of the problem.

The news brought a 30-cent fall in Union Bank's shares yesterday to HK$3.85, in a banking sector already under severe pressure following the rescue earlier this month of Overseas Trust Bank (OTB) and the support credit line extended this week to Ka Wah Bank.

Mr David Akers-Jones, the territory's Chief Secretary, confirmed yesterday that Ka Wah had been suffering liquidity problems before the credit line set up on Monday by Hongkong and Shaanghai Bank with the Bank of China.

He added that the decision by the two banks was made on commercial considerations, and that the governments of Hong Kong and China were not involved. "It is quite natural that large banks should help out," he said.

Meanwhile, knock-on effects of the OTB failure continued to make themselves felt. Apart from the jitters being experienced in Malaysia, United Overseas Bank of Singapore announced that it would write off its S$13.8m (US$6.2m) stake in OTB. The charge will be taken against its earnings for the half-year.

In Brunei, United National Finance issued proposals for repaying depositors over three years following a run of withdrawals which forced it to close a week ago.

Restructuring for Malaysian Rothmans

BY OUR KUALA LUMPUR CORRESPONDENT

ROTHMANS of Pall Mall Malaysia (RPMM), the 50 per cent subsidiary of Rothmans International of the UK, plans a restructuring under which the present Malay equity holding of 4 per cent is to be raised to 30 per cent by 1988.

This would satisfy the objective for Malay equity under the Government's new economic policy.

At the same time, Rothmans International has the right, if it should so wish, to buy additional shares from non-Malaysian shareholders, up to its present level of 50 per cent of RPMM. This plan has been agreed by the Malaysian Trade and Industry Ministry.

RPMM, with a market capitalisation of some M$450m (U.S.$186m) was originally wholly owned by Rothmans International. Half was sold to Malaysian and Singapore nationals

For the year ended June 1984, RPMM increased net profit 60 per cent to M$28.3m on turnover which rose 16 per cent to M$394m.

JAPANESE RESULTS

FUJI PHOTO FILM
PHOTOGRAPHIC PRODUCTS

Half-year to	Apr '85 Y	Apr '84 Y
Revenues (bn)	361	320
Pre-tax profits (bn)	70 66	53.66
Net profits (bn)	33.52	26.69
Net per share	90.74	72.25

CONSOLIDATED

MITSUI AND CO.
TRADING

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	17,598	16,181
Pre-tax profits (bn)	22.21	15.42
Net profits (bn)	10.11	8.87
Net per share	10.26	9.00

CONSOLIDATED

SUMITOMO CORPN.
TRADING

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	13,322	11,794
Pre-tax profits (bn)	57.51	50.85
Net profits (bn)	33.23	28.28
Net per share	49.86	45.87

CONSOLIDATED

TOKIO MARINE AND FIRE
NON-LIFE INSURANCE

Year to	Mar '85 Y	Mar '84 Y
Revenues (bn)	639	598
Pre-tax profits (bn)	66.78	57.71
Net profits (bn)	25.01	23.04
Net per share	18.38	16.93
Dividend	6	6

PARENT COMPANY

Earnings soar at Harrisons

HARRISONS Malaysian Plantations reports a near-doubling of pre-tax profits to M$189.46m (US$76.8m) in the year to March, up from M$95.77bn, Our Financial Staff writes.

Higher commodity prices assisted a boost in turnover to M$1.06bn from M$582.3bn, and the dividend for the year will total 30 cents, up from an adjusted 22 cents. The figures for the first time include contributions from 10 UK-incorporated companies.

Sony ahead despite Betamax slip

By Yoko Shibata in Tokyo

MARKET resistance to the Betamax video cassette recorder (VCR) format hampered the trading performance of Sony, the Japanese electronics group, in the half-year to April.

Betamax sales were down 15 per cent in unit terms on the previous first half, a setback which was only partially offset by strong demand for its video recorders aimed at the professional market.

Nonetheless, a strong contribution from sales in other product sectors enabled Sony and its group companies to report an 8.8 per cent rise in net profits for the period to Y38.11bn ($153.2m) against Y35.01bn, on turnover 11.8 per cent ahead at Y679.86bn compared with Y607.98bn.

Earnings per American depositary receipt were Y165, up from Y152.

On a parent company only basis, results also released yesterday showed pre-tax profits of Y46.75bn compared with Y44.19bn, and net earnings up to Y24.82bn from Y20bn.

Launch costs for products such as 8mm VCRs and compact disc players—as well as foreign exchange losses amounting to Y2.4bn—were also responsible for the lacklustre performance.

For the year as a whole, uncertain factors such as an economic slowdown in the U.S. and measures by China to control foreign imports made for a conservative forecast. Projected net profits are Y75bn, up 5 per cent, on full-year sales of Y1,400bn, up 10 per cent.

In the first half, sales of the video equipment sector were marginally above the previous year's level at Y258.65bn. Turnover in the TV sector surged 24.9 per cent, thanks to quadrupled export sales to China. Sales in the audio equipment division improved by 22.5 per cent, helped by brisk sales of compact disc (CD) players. During the half year the company lifted monthly production of CD players from 70,000 sets to 100,000 units, to meet an annual sales target of 80,000 sets.

Sales in the company's newly diversified range of non-consumer products such as semiconductors, floppy discs and personal computers rose 10.2 per cent to account for 13.6 per cent of turnover.

Overseas sales advanced overall by 14.6 per cent to account for as much as 73 per cent of the total.

Chastened by the past experience of having relied heavily on a limited number of consumer products, Sony has been implementing a programme to lift its non-consumer product sales to half the total turnover by 1990, from the current 13.6 per cent.

For the current year, capital outlay is being increased by a quarter to Y100bn.

See Lex

Fiat engine output will race ahead at high-tech Termoli plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ANOTHER KEY element in Fiat Auto's recovery programme is in place now that the group's engine assembly plant—possibly the most highly-automated in the world—is up and running at Termoli in southern Italy.

The bill for the project includes $50m for development of the engine, $900m for plant and equipment and $21m to retrain the 950 employees.

Between eight and 12 months of full-time training is required for each worker because the plant requires mainly skilled people. So the programme was started in 1983 and will not be finished until next year.

By that time Fiat will have put the workforce through a total of 1.2m hours of training at an average cost of $17.50 an hour.

The employees have been selected from those laid off from Termoli in the past two or three years as Fiat dealt with the overmanning there. Those called back have been carefully screened. Fiat looked at previous experience, willingness and ability to adapt—and the worker's age.

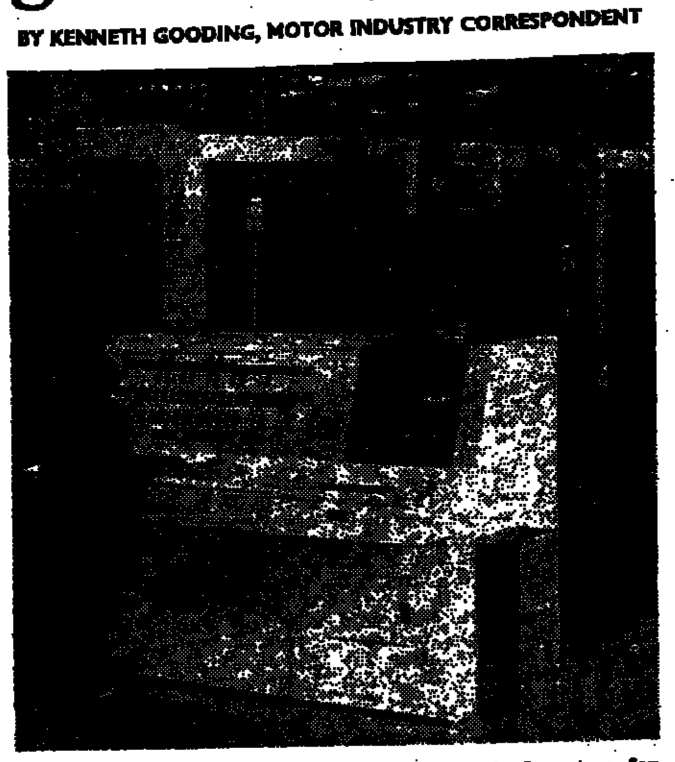
Fiat Auto is making a determined effort to reduce the average age of its workforce in the belief that modern motor industry production methods need more youthful people. The average age of the company's employees is 44. At Termoli 3 (the new engine assembly facility) the average is 37.

The Termoli project is already one month ahead of schedule and producing 800 engines a day. By the end of this year the plant should be turning out one engine every 20 seconds of the working day—an annual rate of 462,000.

If demand rises as Fiat expects, the facility will be working at full capacity by mid-1987: 2,600 engines a day or 572,000 a year. To reach that stage Fiat will have to spend only a little more money and take on another 80 people.

Fiat claims that for the first time in automotive history a new factory has been designed hand in glove with the new engine it is producing.

The engine in question is Fiat's Fire 1000 (Fully Integrated Robotised Engine) which already is being fitted to a new baby car, the Y10, produced by Fiat's Lancia subsidiary. As the Fire 1000 range is expanded, the engines will also go into some of Fiat's best-selling Uno models as well as versions of the smaller Panda.



The engine assembly plant has a computerised system for supervising production.

The project dates back to the late summer of 1980 when Fiat Auto and the Peugeot group of France agreed to join forces in the development of a new medium class car engine to meet the needs of the 1990s. The objective was to eliminate some machining operations, cut component weight, simplify assembly operations and reduce the number of components in the engine—not to produce a revolutionary power unit.

The original intention was for Fiat and Peugeot to build mirror-image production facilities side by side in southern Italy. But first the Socialist government in France after its election insisted that Peugeot place its plant in France and later Peugeot decided to postpone production indefinitely.

Peugeot's decision was more of a blow to Comau, the Fiat group's production system subsidiary which designed and equipped the Termoli 3 plant and would have done the same for the French company, rather than to Fiat Auto.

However, Fiat Auto has had to make some changes to its plans because the Peugeot factory would have produced three-cylinder, 650cc versions of Fire 1000 to be shared between the partners.

Instead, Fiat will add a four-cylinder, 850cc version to Termoli 3 output which currently concentrates on the 999cc engine. And the plant will also produce a 1.3 litre version to complete the "Fire family."

By mid-1987 Termoli 3 will be producing roughly half Fiat's car engine requirements (the company's car output and sales world-wide reached just over 1.4m last year). It also makes engines in Brazil and at the Mirafiori plant in Turin (1.3 litre and 1.6 litre) and a 2-litre family at a separate Turin facility. Diesel units are supplied from the Sofim plant at Fogia in southern Italy.

So Fiat has put a great many eggs in one basket with the Termoli 3 plant. But the industrial unrest of the 1970s, which at times came near to anarchy, was still fresh in mind when plans for the project were drawn up. So Fiat opted for heavy automation for the new engine facility even though the cost of labour in southern Italy is relatively low compared with much of the rest of Western Europe.

The Fire 1000 assembly line was developed from Comau's experience with Mirafiori's LAM highly automated system which assembles the Ritmo/Strada 138 engine. But Termoli 3 is 90 per cent automated compared with LAM's 26 per cent and robots are more widely used.

Termoli 3 has no fewer than 78 automated stations compared with 30 at Mirafiori; two manual stations instead of 15; some 16 points where the central computer has a "dialogue" with assembly-line computers instead of two. The assembly lines at Termoli 3 employ 56 robots and 92 programable handlers.

There are 103 computers at Termoli 3, including, in the machining area, 27 dedicated to testing, 45 to diagnosis and one to data control. There are 12 in the stores, seven on the assembly line, nine in the engine testing room and two dedicated to overall production programing and organisation.

What this adds up to, claims Fiat, is that the plant controls itself with computers, runs checks on itself and submits its products for approval, by itself. And it is all done automatically.

A major improvement in quality is the main benefit, as far as Fiat is concerned. But the company also wins huge productivity gains.

It takes only 107.5 minutes to make a Fire 1000 engine, against 231.5 minutes for the 25-year-old, 903cc unit used in the Fiat 127 cars—less than half the time. Machining takes only 46.5 minutes instead of 114.4 and assembly 61 minutes instead of 117.1.

Traditional production equipment works for about 75 per cent of the available time. The target at Termoil 3 is to achieve 90 per cent in the machining area, 92 per cent in assembly.

Fiat knows this is possible because some parts of the LAM plant at Mirafiori have achieved the 90 per cent standard.

The company says that, in spite of the heavy investment in capital equipment, the plant breaks even at 70 per cent of capacity (whether that capacity is 2,100 a day as it is as at the moment or if lifted to 2,600 a day) and that Termoli 3 should pay for itself in eight to 10 years.

LOFs seeking further financial support

BY ANDREW FISHER, SHIPPING CORRESPONDENT

London and Overseas Freighters, the heavily loss-making UK tanker company, is now talking with its bankers about further financial help less than a year after receiving nearly £9m from a rights issue.

"Something has to be done," said Mr Minas Kulukundis, deputy managing director, after LOFs announced a loss of $9.24m (£7.3m) for the year to March 31, 1985. "We have been actively talking on the possibility of a restructuring."

The attributable loss of $9.24m after extraordinary items was lower than the previous year's $16.4m, but the group has been unable to sell the London Enterprise, a 139,000 deadweight ton tanker, to cut its debts. At end-March, these were $56.5m.

LOFs wanted to sell the 11-year-old vessel for around $9m, but the market value has fallen below the $6.5m book value. Attempts were still being made to sell her, said Mr Kulukundis. "We might sell her at a lower price."

A qualifying note to the accounts, audited by Moore, Stephens, said they had been drawn up on a going concern basis. This assumed adequate credit facilities would continue to be made available and did not take account of adjustments which might be necessary if it could not continue as a going concern.

When raising the £8.6m rights issue money, LOFs said its aim was to ensure continued trading until the shipping business improved. But while the five-vessel fleet had lifted earnings, ships' values had not risen in the continuing world tanker crisis.

In the annual report it stated: "We now envisage a position where, on the basis of current conditions, insufficiency of liquid resources with which to continue trading will arise in this financial year."

In that event, it added, "the group will require a further accommodation from its bankers." The board "continues to do its utmost to ensure the survival of the group." Last night the shares stood at 1¾p, down 0¼p, having been suspended last July at 8p ahead of the rights issue.

Mr Kulukundis did not say what direction the talks with the banks were taking. But with liquidity likely to run out in the financial year, "something has to be done before the end of 1985." The banks had been responsive, he added.

LOFs' main banks are William & Glyn's and Bank of Nova Scotia, with Bankers Trust also involved through its financing of the Overseas Argonaut tanker, in which the company bought the outstanding half-interest two years ago. Underwriting for the rights issue was arranged by Hill Samuel.

The company's actual loss on trading was $4.5m against $8.7m—it began accounting in dollars at the end of last year—before interest charges of $6.9m (same) and net currency gains of $1.6m ($28,000) on loan repayments. The final loss per share was 5.1 cents (27.5 cents).

Mr Derek Kimber, the chairman, said in the annual report that the world shipping scene remained bleak. Tankers of the size owned by LOFs would be among the first to benefit from a market upturn, but new ships were still being delivered to add to the tonnage surplus.

"We're not too despondent about the market," commented Mr Kulukundis. "The critical factor is the fall in vessel values. The industry as a whole is in a very depressed state."

The rights issue, he said, "was based on the hope that values would increase, but they've very much done the opposite." Earnings from the ships were contributing to interest payments. But LOFs said it saw no signs of an imminent rise in earnings.

"On the contrary, there is cause for anxiety in the apparent levelling-off of economic growth in the industrialised world and further weakness in oil prices." The board said it was convinced freight rates would return to a level where investment would be justified by earnings and ships' values would recover. But, it added, "when this will happen remains unpredictable."

Silentnight warns of a break-even at midyear

A STRIKE at Silentnight Holdings has impeded the group's recovery and for the first six months to July only a break-even position is forecast—last year profits totalled £1.1m.

Revealing this at the AGM, Mr Tom Clarke, the chairman, said, however, that the strength of the balance sheet enabled the group to pursue its medium-term strategy which included strengthening the management, both at the centre and at some of the subsidiaries, including the Silentnight division.

To deal with its industrial relations problems Mr Tony Pugh, who recently retired from a post in ACAS, has joined Silentnight in an advisory capacity.

● Systems Reliability heard that group sales for the first five months were in line with budget and showed a satisfactory improvement on the same period of last year.

The outlook for the rest of the year was described as encouraging.

Big pay rise for Tootal chairman

TOOTAL, the textiles group, gave Mr Alan Wagstaff, the chairman, a 47 per cent increase in remuneration in the year to January, taking his earnings up from £82,187 to £121,508, the *company's annual report shows.* Entrad, the Australian textile group, launched an unsuccessful bid for Tootal in February and still holds 29.9 per cent of the group.

British Tar up 34% and plans £10m acquisition

REPORTING a 34 per cent increase in pre-tax profits for the year to end-March 1985, British Tar Products, with interests in bulk storage and chemical manufacture, has also announced the proposed acquisition of Isinglass Manufacturers for £9.85m.

The group's pre-tax result (up from £1.87m to a record £2.5m) was achieved on turnover slightly lower at £29.12m, and despite the fact that the miners' strike severely disrupted UK supplies of naphthalene, one of the group's major raw materials, which resulted in significantly increased raw material costs.

As indicated at the time of the interim statement, the directors are recommending a final 2.3p (2.2p) dividend, making a total of 3.5p (3p) for the year. The record earnings of 7.08p (6.56p) per 10p share basic, and 6.82p (5.92p) diluted, were achieved despite the substantial increase in tax, from £553,000 to £914,000.

The group's comparative figures include turnover of £4.83m and profits of £145,000 from Wynmouth Lehr and Fatoils, which was sold on March 9, 1984.

Mr Frank Buckley, the chairman says that BTP's performance during the year reflects the success of the policy of substantial investment in new plant and of building up local facilities to provide technical support to its customers worldwide.

The current year, he says, has started well, and prospects for the remainder of the year are encouraging.

The group's investment programme involved a commitment in excess of £1m in new plant. The policy of building up local facilities has been particularly successful in the U.S. and, in line with this policy, in March 1985 BTP purchased W. E. Lewisham (Merchants) of Auckland, New Zealand, a company with which BTP has a long association.

This acquisition ensured the continuity of marketing efforts by the group in the South Pacific, and enabled it to provide technical support to customers in the region.

BTP believes that the proposed combination of the resources of the Isinglass Manufacturers group (IML) in the UK and the U.S. with those of the chemical companies within the BTP group provides a prime opportunity for continuing the strategic development and growth of BTP.

The acquisition will be satisfied by the issue of 9.86m new ordinary shares in BTP. The new shares have all been conditionally placed by S. G. Warburg and Company at 100p per share. The brokers are Cazenove and Company.

To provide ordinary BTP shareholders and holders of its convertible loan stock with the opportunity to acquire an additional investment at the placing price, 4.59m (46.5 per cent) of the new shares will be available to such shareholders pro rata on a one-for-five basis to their existing holdings, or to the shares arising on conversion.

BTP's shareholders' funds stood at £10.61m at end-March 1985, against £9.44m a year earlier.

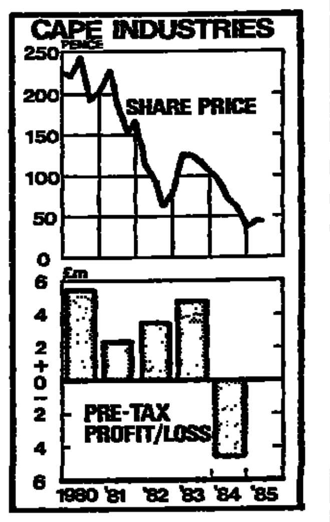
● comment

British Tar Products' proposed acquisition of Isinglass Manufacturers is in line with its strategy of expanding its speciality chemicals activities. Within the group, Hodgson Chemicals and Nipa Laboratories already produce chemicals for the pharmaceuticals, leather, hygiene and cosmetics industries: Isinglass, a major supplier of clarifying agents, will bring the group a third chemicals business to serve the brewing industry. Isinglass has a strong market position and its growth record over the past five years is impressive. Much of its expertise in sterilants, preservatives and anti-oxidants is complimentary to BTP's existing business and the group will be looking for benefits in the merging of markets and know-how. The City took the news of the acquisition and an accompanying share placement calmly. Profits were towards the top end of brokers' expectations — enough to support the share price of 110p, down just 1p. This has the shares trading comfortably on a historic multiple of 16.

Cape Inds trading profitably after sales

AFTER major restructring Cape Industries has reported losses for the 15 months to March 31, 1985 of £4.49m compared with profits of £4.88m for 1983 on turnover of £249.01m (£214.05m). Continuing business, however, reported profits for the period of £6.82m against 1983's £8.02m on turnover of £179.62m (£130.58m).

After tax and extraordinary losses of £32m, associated with



the sales and closures of the insulated metal cladding business and the automotive operations, shareholders' funds were reduced by £37m.

The final has been passed, as was the interim. For 1983 a total payment of 5.6p net was made.

Following the reorganisation, which left the company in building products and industrial contracting, directors say that the gearing was unsatisfactory. That was largely corrected by a £9.5m rights issue which was taken up by 92.9 per cent of the shareholders and left Charter Consolidated with an unchanged holding of 67 per cent in the company.

Together with the cash raised from the disposal of two divisions and other assets the directors say that there will be a marked reduction in debt and during the present year it is anticipated that the balance sheet will be restored to a satisfactory position. Both the remaining divisions enjoy strong positions in their markets the directors say. In building products all but one of the units had a good year with profits improving by 25 per cent overall on an annual basis.

After a good record for many years the contracting division had a disappointing year. However the loss at nine months was eliminated by the end of the period when profits were giving confidence for the future.

The specialist building products are expected to hold their own, though the cladding market is likely to remain difficult. Little or no growth is expected in contracting, but the division should recover from its recent difficulties and improve its level of profitability.

Mansfield plans loan/debenture mix to fund £42m buy

BY LUCY KELLAWAY

Mansfield Brewery yesterday published details of its proposed £42m acquisition of North Country, the brewing division of Northern Foods.

The ambitious deal is to be funded through the issue of £20m-worth of 25-year debenture stock, with the balance coming via medium-term bank borrowings. The two moves together will leave the Nottinghamshire-based brewery with a debt-equity ratio of around 100 per cent.

Mansfield simultaneously unveiled slightly disappointing results for the year to March 31, 1985, with profits marginally down at £7.8m against £8.4m on sales of £72m (£68m).

The acquisition of North Country will more than double Mansfield's number of owned outlets to 430 and increase by 400 the number of free outlets it supplies. Most of these are in the Hull area, bordering on the South Yorkshire and Nottinghamshire regions which Mansfield already supplies.

Mansfield plans to close North Country's Hull brewery and supply the outlets itself. North Country made profits of £1.9m in the year to March 1985 on sales of £23m.

The company says that the acquisition will provide a valuable increase in its geographical base and that the long term prospects are encouraging.

The debenture, which has an 11.5 per cent coupon, matures in 2010, and is issued at £99.99 per cent. The medium term loan is for seven years, with repayments of principal starting in 1988 and has been underwritten by Samuel Montagu.

Most of the drop in Mansfield's profits last year came from the soft drinks division. A 64 per cent fall to £528,000 on almost unchanged turnover was blamed by the management on competitive pricing in the soft drinks market.

Profits from brewing increased marginally to £7.9m (£7.5m); and to offset the serious effect of the miners' strike on sales of draught beer, the company was successful in increasing sales of beer in hard plastic bottles.

The company says that steps have been taken to turn the soft drinks division around but that the full effects have yet to be felt. Upset by poor weather, and depressed by the aftermath of the miners' strike, trading is progressing slowly in the breweries division.

The profit before tax was arrived at after charging interest £767,000 (£526,000), and crediting £113,000 (£80,000) investment income. The tax charge rose to £3,302 (£3,221), with earnings per share 17 per cent lower at 29p.

The directors are recommending a final dividend of 6.0p a share to make a total of 8.25p for the year, an increase of 3.1 per cent.

● comment

The management of Mansfield has stressed that the benefits from North Country are of a long-term nature. Indeed any investors not prepared for some dilution of earnings over the next couple of years should look elsewhere, although those willing to last the distance may be well rewarded. Mansfield's ability to make money out of brewing is well demonstrated by these figures which show it to have held its own in conditions that were not promising. However, it will need every inch of that experience if it is to meet its target of a 300 per cent increase in North Country's stagnant profits over the next two to three years. Making the acquisition pay for itself could suddenly become even more difficult if interest rates rise, pushing up the payments on the term loan. Mansfield's foray into soft drinks has been disastrous, and the profit this year was much lower than the City had been expecting. Capacity has now been cut and management changed, which could bring profits back up to around the previous year's level. Given improved profits from brewing, and a contribution of about £2m from North Country, the total may be unchanged at £8m, after over £5m in interest. After a 40 per cent tax rate that would put the shares at 367p, on an enthusiastic multiple of about 12.

George Wimpey

Mr Clifford Chetwood, chairman of George Wimpey, told the AGM that sales of private houses in the current year were ahead of target and of those achieved for the same period of 1984. In yesterday's report this was attributed to Sir Reginald Beaumont Smith, a former chairman.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Cape Industries	nil	—	3.9	nil	5.6
Barlows	7.5	July 18	7.5	7.5	7.5
Berkeley Group	2.4‡	Aug. 20	—	3.6	—
British Tar	2.3	—	2.2	3.5	3
Centrovincial Est.	3	Oct. 7	3	6	6
Countryside Props. ...int.	20.3	Sept. 6	1.82	—	5.04
Erskine House	1.9†	July 29	1.5	2.5	1.5
J. H. Fenner ...int.	2	—	2	—	5
GEI	3.91	Aug. 5	3.56	5.85	5.32
Mansfield Brewery	6	—	5.75	8.25	8
Meyer Intl.	3.45	Sept. 5	3.1	5.25	4.75
Platon Intnl.	1.87‡	—	nil	2.8	0.58
Steinberg	1.2	Aug. 30	1.2	2.2	2.2
Watson & Philip ...int.	1.7	Aug. 9	1.5	—	5
Winterbottom Engy. int.	0.2	Aug. 2	0.2	—	1.55¶

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Includes special bonus of 0.85p.

BIDS AND DEALS IN BRIEF

Bowthorpe in U.S. expansion

Bowthorpe Holdings, manufacturer of electronic and electrical components, is buying a California company, Monitor Products, for $6.75m (£5.2m) in cash.

Based in Crawley, Bowthorpe has 21 overseas subsidiaries and had said that it was negotiating the purchase of four U.S. component businesses. Monitor Products makes crystal quartz-based frequency oscillators used in civil and military electronic equipment.

Of the total purchase price, $0.5m will be held in escrow for 12 months. The deal is conditional on Monitor Products having net worth of $1.65m on the date of completion and on its pre-tax profits for the preceding 12 months being at least $1.3m. In theyear to February 28 1985 it had pre-tax profits of $1.39m.

Bowthorpe had net cash of over £20m at its last balance sheet.

RADIO CITY (SOUND OF MERSEYSIDE) has offered to acquire Marcher Sound in exchange for 129,038 A ordinary shares. Indications have been received from the holders of about 57 per cent of the share and loan stock of Marcher Sound that they will accept.

For the year to the end of September 1984, Marcher showed a pre-tax loss of £171,000 with assets of £88,000.

MR D. A. LANDAU is a non-executive director of MAM, not of Chrysalis, as was stated in yesterday's edition.

GIEVES GROUP has acquired the London Renault dealer, Fred Guy, for £458,000, the price having been met by the issue of 520,652 new ordinary shares in Gieves. The shares have been conditionally placed with institutional clients.

WILLIAMS HOLDINGS has disposed of the scrap metal interests of J and H B Jackson to Dunn Bros. (Metals). Consideration for the properties and fixed assets amounted to £1.25m cash. In addition, Williams will be realising the working capital of the businesses and this is expected to release up to an additional £750,000 in cash during the next few months.

BRITISH Syphon Industries has sold A. H. James & Co to that company's managing director and his colleagues for £35,000 cash. An intra-company loan of £265,000 was repaid to British Syphon shortly before the completion date. British Syphon has also sold its 49 per cent interest in Thomas Radcliffe for £49,000.

Windsor vote claim

A dissident investor group at insurance broker Windsor Securities claimed yesterday that the holders of 48 per cent of the company's shares supported its plans to wrest control from the existing management through a boardroom shake-up.

Windsor shareholders will vote at an extraordinary meeting a week today on resolutions put forward by Lander Investments to appoint four new directors to the company. As Windsor has just three directors, this would give management control to the newcomers. Lander has a 14.9 per cent stake in Windsor.

Mr Maurice Fullerton, chairman of Windsor, said earlier this week that he was negotiating the purchase of an unnamed "rapidly growing business in the insurance sector" but the vendor would not go through with the deal unless the Lander resolutions were rejected.

Mr John Carr, chairman of Lander, yesterday replied that if the deal was beneficial for Windsor, there was no reason why it should not proceed in conjunction with Lander's plans for the business.

"Our information, however, leads us to believe it is an arangement being negotiated in a hurry, for the purpose of diluting Lander's support, and protecting your chairman's position," Mr Carr added.

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UK COMPANY NEWS

Fenner hit hard by miners' strike

J. H. Fenner, the Hull-based power transmission engineer whose profits recovered strongly in 1983-84 after three years of costly rationalisation, returned figures some 69 per cent lower for the first six months of the current year.

Mr Peter Barker, the chairman, tells shareholders that as he predicted in his annual statement the prolonged miners' dispute had a severe impact on the results, especially as business with the UK mining industry involves more than a quarter of UK turnover.

For the six months to March 2, 1985 group pre-tax profits dived from a restated £2.04m to £643,000. Mr Barker estimates that the loss of pre-tax profit due to the dispute was in excess of £1.5m and adds that demand from the NCB is likely to be sluggish for some time yet.

Last August in their successful defence against a bid from Hawker Siddeley the directors forecast a major increase in 1983-84 profits, a 50 per cent dividend increase for the current year, and first-class medium and longer term prospects.

They are mindful of the undertakings given concerning the dividend, but having regard to the actual trading results for the opening half year, say they do not consider it appropriate to increase the interim and have declared an unchanged 2p net.

Reported pre-tax profits for the 1983-84 year totalled £6.07m (£4.5m), although these have since been adjusted to £5.02m in accordance with the change of status of Fenner (India) which is now a related company.

Mr Barker says there is no prospect in the short-term of recovering the lost ground in the current year. He believes, however, that now that some of the major problems besetting the group have been resolved, shareholders can look forward to Fenner resuming the pace of recovery it demonstrated last year.

Group turnover for the first six months edged ahead from £76.52m to £79.9m. Operating profits improved to £3.62m (£3.35m) but were subject to a £458,000 share of related company losses, compared with previous profits of £264,000, and £949,000 rise in net interest charges to £2.52m.

Apart from the miners' dispute, the results were further depressed by the continued communal unrest in India.

The directors say the programme to realise in excess of £10m from the disposal of assets is progressing well.

Earlier this week Fenner announced that it was selling Fenamec, its division making industrial materials handling systems, to Figgie International Holdings of the U.S. in a move to cut its borrowings by £7.2m. In April, the group said it was cutting 150 jobs from its power transmission division as part of a restructuring exercise to reduce unit manufacturing costs.

The offer by Hawker, launched in June 1984, lapsed two months later following a low acceptance level.

● comment

J. H. Fenner's timetable for a reduction of gearing and increased dividend payouts has been frustrated by the length of the miners' strike and the turmoil in the Punjab. The post-strike slow down in purchasing by the NCB has also delayed the recovery — possibly until after the group's trading year ends in September. What does remain on target is the £10m asset disposal programme which should see year-end gearing significantly down from the present two-thirds of shareholders' funds. Some brokers are detecting in the fulsome interim statement the makings of a pre-emptive defence document and there has to have been something in the share price for the speculation that Hawker Siddeley might seek a return match — last summer it offered about 140p a share for Fenner but was beaten off just short of victory. Hawker still hold some 25 per cent of Fenner. For the full year the analysts are showing continued caution, trimming forecasts to around £4m pre-tax. This has the shares trading on a prospective multiple of almost 13 (25 per cent tax) at 125p down 10p. Short of a bid—which would surely force the group's hand on fulfilling its 50 per cent dividend increase promise — this seems about right.

Platon expects all-round boost from acquisitions

THE proposed acquisition of K & N Electronics and Dicoll Electronics by Platon International is projected to boost the group's performance with turnover expected to increase from the current level of £3.5m to £7.7m, with profits after tax showing something like an 83 per cent increase.

In a circular accompanying Platon's results for the year to March 31 1985, Mr Gilbert Platon, the chairman, says that profit margins will benefit from in-house manufacture — the group will be diversifying into new advanced technology market areas, notably defence electronics and computer systems.

The projected figures, he says, do not take account of planned growth for the two companies, particularly the application of Platon's overseas marketing expertise.

He says the two acquisitions will be completed for a total payment of £1.76m, financed partly by issuing 482,759 new ordinary shares in Platon, which have already been placed with 68 institutional and individual shareholders, partly by Platon absorbing existing bank borrowings, and partly by the issue by Platon of an unsecured convertible loan note (value £601,000) to FTI on completion.

Meanwhile, Platon's figures for its first year on the USM have been characterised by heavy investment, improved turnover and, as stated, by the aquisitions.

Group turnover was 12.9 per cent higher at £3.52m (£3.12m), with net profit before tax up from £394,352 to £440,000. There was a lower tax charge of £57,101 compared with £109,677, leaving attribtuable profits of £370,639 (£258,872). A final dividend of 1.87p (nil) is being paid for a total of 2.8p net, and this absorbs £85,285. Last year only an interim of 0.58p was paid.

Stated earnings per 25p share improved from 9.16p to 12.17p after tax and minorities.

Countryside 53% ahead and set for record year

WITH FIRST half pre-tax profits up by 53 per cent the directors of Essex-based Countryside Properties are hoping to achieve a fifth successive record year.

They are encouraged by an improving market for the group's commercial and industrial property schemes as well as a buoyant market for its new housing.

For the opening six months to March 31, 1985 pre-tax profits improved from £563,000 to £859,000 from turnover £2.51m ahead at £12.81m. Sales of new houses accounted for £9.8m and proceeds from other property development for £3m.

Earnings rose from 8.6p to 13.4p and the interim dividend is being lifted to 2.03p net per 25p share, an increase of 11 per cent over last time's 1.82p.

Mr Alan Cherry, group chairman, says that the considerable increase in interest rates during the period did not have an adverse effect on Countryside's new housing sales.

"On the contrary, the rate of sales reservations has been very good and forward sales are currently at a record level," he tells shareholders in his interim report.

The group's commercial and industrial property development activities are progressing with the sale of the Orpington office building and the letting of most of the space in the Waltham Cross building.

Construction work is making good progress on the remaining unit of phase two of the Hook Rise industrial development on the Kingston-by-Pass, which is pre-let to Plessey and forward sold to an institutional investor.

Work is also progressing on the new Warley Hill Business Park at Brentwood. Mr Cherry says the largest of the four proposed office buildings has been pre-let and the level of inquiries for the other buildings is most encouraging.

ISSUE NEWS

Sunlight Service calls for £7.7m to finance expansion

BY STEFAN WAGSTYL

Sunlight Service Group, the laundry, cleaning and security company which fought off a takeover bid from Brengreen Holdings in 1983, is asking shareholders for £7.7m with a one-for-four rights issue.

The cash call comes after an 18 month period in which the company has spent £17m on acquisitions, new plant and reorganisation, financed by the issue of £10m in new shares and by £7m in increased borrowings.

The immediate effect of the rights issue will be to cut down group net debt standing at £11m. But the company says it plans further expansion, investing in its security division, and in its workwear division, including the construction of a new £1m laundry.

Mr John Ivey, the chief executive, said: "We have been expanding quite rapidly over the past year, and now we want to expand further."

Sunlight shares fell 7p to 203p on the stock market yesterday. The 4.3m new shares are offered at 180p and will qualify for dividends for the year to the end of December, which the company forecasts will be at least 9p (8.05p).

Earlier this month, the group announced increased pre-tax profits of £4.45m for 1984 on turnover of £58m. The company devoted major efforts to turning around its largest acquisition, St George's linen hire company which was bought in February.

Sunlight has said that 1985 will not be an easy year, with a disappointing first half which will carry the final effect of the group's reorganisation programme.

The issue has been underwritten by merchant bank Kleinwort Benson. The broker is Hoare Govett.

● comment

News of the rights issue brought Sunlight Service shares down to their lowest point since the 1983 bid battles brought a sparkle to the cleaning companies' sector. The company can hardly be blamed for the fact that the sector has fallen against the stock market as takeover talk receded into a thing of the past. But its stock market performance has had to cope with the issue of some 4.9m shares in the past 18 months, not to mention yesterday's rights issue, which came as no great surprise. The company seems to have put its resources to good use building up all five divisions and in particular getting to grips with the problems of St George's. Nevertheless, the group has to make ground in tough markets, in which conditions are, if anything, more competitive now than a year ago. Moreover, Sunlight has not yet finished spending money on reorganisation and expansion—so it will be next year rather than this that shareholders can expect a real return on their investment. The yield of 6.3 per cent on an ex-rights price of 203p should, however, be attractive enough to tempt shareholders to bear with the group.

Baillie to launch trust for smaller Tokyo market

BY STEFAN WAGSTYL

FUND manager Baillie Gifford is launching a new investment trust to specialise in small Japanese companies.

Baillie Gifford Shin Nippon is coming to the stock market with a capitalisation of up to £8m. In an offer for subscription underwritten by merchant bank Kleinwort Benson, up to 16m shares in the company are being offered at 50p each.

Baillie Gifford is one of the most successful of UK fund managers investing in Japan. Its Baillie Gifford Japan Trust was the top performing investment trust in terms of total return on net assets in both 1983 and 1984.

The new trust is to concentrate on companies with an annual turnover of less than 50b yen (£155m). While the managers do not rule out companies quoted on the Tokyo Stock Exchange's First Section (for larger companies), they believe that they are more likely to find suitable companies in the Second Section and in the over-the-counter market.

Shares offered in the issue will carry warrants, with one warrant for every five shares entitling the shareholder to subscribe for one share at 50p any time between 1986 and 1996.

The application lists are to close on June 25 and dealings are expected to start on July 1. The broker is James Capel.

● comment

Investors looking for a new opportunity to invest in Japan could do far worse than this offering from Baillie Gifford. The City's positive view of this fund manager is amply demonstrated by the fact that Baillie Gifford Japan trades a discount to net asset value of just 4 per cent against a market average of 23 per cent. The same management will take charge of Shin Nippon. Investors must of course take a view on whether or not now is a good time to invest in Japan with the Tokyo stock market close to its all-time peak. But Baillie Gifford clearly believes that its timing is right, particularly for smaller companies which have fallen significantly behind their larger brethren in recent months.

Appletree for USM

Appletree, a Cambridge-based company which packs, distributes and wholesales vegetables, is coming to the USM with a market value of £7.2m. Greiveson Grant is placing 1.5m shares at 138p each of which 0.4m are being sold by Mr David Johnson, the company's chairman and chief executive.

The remainder will raise £1.2m net of expenses for the company, which will be used to increase working capital and to improve existing factory space.

The company has been supplying supermarkets with pre-packed fresh produce since 1968. It has grown rapidly as the supermarkets have steadily gained market share at the expense of the local green grocer.

From £47,000 in 1980, the group has increased profits to £393,000 last year. It is forecasting a pre-tax profit for the year to September 1985 of £700,000, after having made £390,000 in the first half.

At the placing price the shares are on a prospective earnings multiple of 13.6, after a tax charge of 35 per cent. Based on an annual dividend of 2.5p the yield is 2.6 per cent. Dealings begin on June 25.

Kalon issued at 30p

Shares in Kalon Group, which has been created by the merger of Leyland Paint and Wallpaper and privately-owned Kalon, have been placed on the stock market at a price of 30p.

This compares with a last price of 34p for Leyland shares before they were suspended when the merger was announced in April.

Under the terms of the merger, Leyland issued 91.5m to Kalon shareholders, giving them over 78 per cent of the enlarged group. Of these new shares, 19m are being placed on the market on behalf of Kalon's chairman, Mr Leslie Silver, by S. G. Warburg and County Bank through Cazenove and Williams de Broe Hill Chaplin.

Full listing particulars of Kalon are published today. Dealings in the company are expected to start on Monday.

Micro Scope

The offer for sale of 3.2m shares in Micro Scope attracted 830 applications for approximately 3.25m shares. All applications for less than 200,000 shares will be alloted in full with the rest receiving about 96 per cent of the amount applied for.

Cambridge

Cambridge Instrument Company is planning to obtain a full Stock Exchange listing next month via an offer for sale sponsored by Kleinwort Benson.

The company is engaged in the manufacture of high technology and industrial automation products. It was reorganised in 1979 under a new management team and over the past five years to end-March 1985 losses of £565,000 have been turned into taxable profits of £4.21m.

MINING NEWS

Gold dredger to be floated on the Toronto exchange

BY GEORGE MILLING-STANLEY

A NEW gold mining venture is to be launched on the Toronto stock exchange within the next 10 days by means of a public offering of 2.4m shares in Osborne and Chappell Goldfields, at a price of US$5 per share. The offering is being made through Merit Investment and Bell Gouinlock.

The parent company, Osborne and Chappell International, is best known for its expertise in tin dredging in Malaysia, where it has been active since the end of the last century. The company had its origins, however, in early gold developments in Australia. OCI will be retaining a 56.5 per cent interest in the gold company.

The company plans to apply its experience in dredging for tin to the similar business of extracting gold from placer (alluvial) deposits, initially in South America and later in the U.S. and Canada.

The issue is expected to raise a net $11m. It will be used to finance 50 per cent participation in two joint-venture gold dredging operations, one in the Mato Grosso region of Brazil and one in Ecuador. Both of these single-dredge operations are expected to be in production by the end of 1986. From 1987, the combined annual output is estimated at 32,000 ounces of gold.

At present gold prices, the annual production would have a gross value of almost $10.5m. With operating costs estimated at $180 per ounce, the company is expecting a short payback period of some 18 months.

The funds realised will be used to finance three further dredges on the sites, which should lift annual gold output to 120,000 oz by 1990. Thereafter, the company plans further ventures in eastern Canada and Idaho.

MINING NEWS IN BRIEF

Pay rises of up to K65 (£21) a month have been given to miners at Zambia's state-owned copper mines. This follows a week-long strike by the men who said they could not afford pension fund contributions in addition to tax, social security and union membership payments.

The strike resulted in the loss of 4,000 tonnes of copper output out of a yearly total of 550,000 tonnes and more than 4,000 workers were sacked. Appeals against dismissal are being heard by the Zambian Consolidated Copper Mines management.

* * *

Australia's Poseidon is to offer A$2.20 (about 115p) per share for Minerals Mining and Metallurgy (MMM). Poseidon currently holds about 20 per cent of the 9.86m shares of MMM which produces silver, lead and zinc at Broken Hill in New South Wales by open-cut mining and the retreatment of old mine dumps. The company earned A$1.12m in the year to last June.

* * *

South Africa's gold production fell slightly in May to 1,736,490 oz from 1,748,201 oz in April, according to the Chamber of Mines. The total for the first five months of this year amounts to 9,005,621 oz compared with 9,040,748 oz in the same period of 1984.

* * *

Australia's Peko-Wallsend is to farm in on a gold prospect at Bimurra in the Drummond Basin of central Queensland which is under option to the unlisted Menzies Gold. Peko may earn up to a 60 per cent interest in the prospect by spending A$965,000 (£496,500) on exploration. The area is stated to contain gold mineralisation similar to that at Pajingo where Duval Mining has obtained high grade drill results. Indian Ocean Resources has a 42 per cent interest in Menzies Gold.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8DT Telephone 01-621 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
148	123	Ass. Brit. Ind. Ord. ...	145	—	6.6	4.5	8.0	9.6
151	135	Ass. Brit. Ind. CULS	141xi	—	10.0	7.1	—	—
77	50	Airsprung Group	50	—	6.4	12.8	5.5	6.6
42	26	Armitage & Rhodes ...	38	+ 1	2.9	7.6	4.7	7.9
158	108	Bardon Hill	158	—	4.0	2.5	20.8	20.8
60	42	Bray Technologies ...	60	—	3.9	6.5	7.3	8.5
201	161	CCL Ordinary	163	—	12.0	7.4	4.0	3.8
152	105	CCL 11pc Conv. Pref.	105xd	—	15.7	14.9	—	—
126	10	Carborundum Ord. ...	126	—	4.9	3.9	6.2	9.8
88	83	Carborundum 7.5pc Pf.	83xd	—	10.7	12.9	—	—
73	46	Deborah Services	45	—	6.5	14.1	4.4	7.1
336	182	Frank Horsell	336	+ 2	—	—	13.5	17.7
268	170	Frank Horsell Pr.Ord.87	268	+ 2	9.6	3.6	10.8	14.1
32	25	Frederick Parker	28	—	—	—	—	—
61	33	George Blair	61	+ 1	—	—	4.1	8.2
50	20	Ind Precision Castings	21	− 1	2.7	12.9	5.8	8.2
218	180	Isis Group	180	—	15.0	8.3	7.1	12.9
124	101	Jackson Group	108	—	5.5	5.1	7.2	7.2
285	213	James Burrough	230xd	—	13.7	6.0	8.2	8.2
93	83	James Burrough 9pc Pf	90	—	12.9	14.3	—	—
94	71	John Howard & Co. ...	94	—	5.0	5.3	7.5	11.8
225	100	Linguaphone Ord.	222	− 1	—	—	8.2	8.5
100	92	Linguaphone 10.5pc Pf.	92xd	—	15.0	16.3	—	—
650	300	Minihouse Holding NV	625	—	6.9	1.1	27.3	26.9
120	31	Robert Jenkins	67	+ 1	5.0	7.5	—	—
60	28	Scruttons "A"	34	—	5.7	16.8	17.9	4.1
92	61	Torday & Carlisle	75	—	5.0	6.7	3.8	6.9
444	325	Trevian Holdings	325	—	4.3	1.3	18.5	18.2
30	17	Unilock Holdings	30	—	1.3	4.3	14.6	21.0
104	81	Walter Alexander	102	—	7.5	7.4	7.7	11.0
247	216	W. S. Yeates	226	—	17.4	7.7	6.4	11.0

Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

Dull outlook for Meyer after £2m profit fall

THE SECOND half of the 1984-85 year at Meyer International, timber and building materials concern, did not come up to expectations, and the company witnessed a profit downturn of £2.41m over the year.

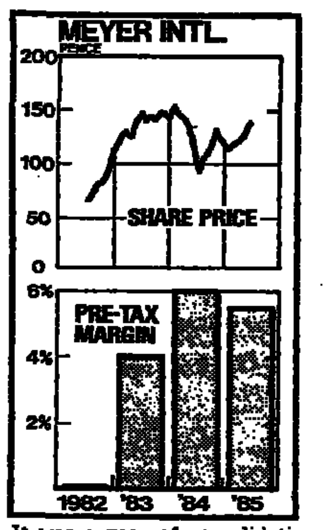
At midway Mr Ronald Groves, the chairman, said that the full-year result would be somewhat similar to that for 1983-84, but yesterday he reported profits down to £30.32m, against £32.74m. He said that with housebuilding and repair forecast at a lower level for the current year, the outlook for 1985-86 does not look exciting.

He gave several reasons for the poor second-half performance. There was a falling off in the level of activity in the construction industry in the last quarter of 1984, and the final period of the financial year was affected not only by the weather but also by increases in interest and mortgage rates, and violent changes in currency rates.

In view of all this, he still considered that the results were satisfactory, and the markets seemed to agree yesterday, leaving the shares unchanged on the day at 143p. Despite the downturn, the dividend is lifted by 0.5p to 5.25p with a final of 3.45p (3.1p).

Turnover slipped from £549.88m to £548.82m for the year, with the second half down by £5.3m at £264.77m.

After a lower tax charge of £10.62m (£14.18m) net profits were up from £18.56m to £19.7m, or from 19.25p to 20.44p per share.



It was a year of consolidation for Jewson, the timber and builders' merchant division, with £5m invested in modernising and developing branches. This process will be completed in 1985.

On prospects, the chairman said that although there were encouraging reports about the improving state of the economy by the Government, the CBI and other economic analysts it was difficult to relate similar expectations to the construction industry which had considerable under-utilised capacity.

● comment

Pessimism seems to have been overdone in the case of Meyer International — although the difficulty of forecasting results at a company so dependent on the movement of the Swedish krona and the dollar against sterling is real enough. The outturn has been better than expected although it took reduced contributions to the pension fund to balance out stock writedowns of £2m and the clawing back of as much tax relief as was available to boost the after-tax income. However, a key factor lending support to the share price at 143p has to be bid rumours. The aggressive Australian company Adstream took an almost 5 per cent stake in late May and has so far refused to indicate its intentions. Closer to home there has been speculation that a bid might come from Hanson Trust although no identifiable share stake appears to have been garnered by that group. All of which has proved useful for a company making the transition from highly cyclical bulk timber trading to merchanting for the jobbing builders market. With just under half of UK profits now coming from merchant arm Jewsons and most of the start up costs of the chain behind it the prospects have to look good once housing starts to pick up. For this year the analysts are plumbing for a small rise to £31m pre-tax which has the shares trading on a prospective multiple of 7 (35 per cent tax), which seems well up with events even if the route was a circuitous one.

Berkeley Group beats forecast

IN ITS first year on the USM the Berkeley Group has raised its profits before tax by £702,000 to £2.23m.

At the time of the £3.3m rights issue in March the directors forecast profits of not less than £2.15m. Shareholders are to receive the promised final dividend of 2.4p for a total of 3.6p net per 25p share.

The group, a specialist housebuilder based at Weybridge, Surrey, is continuing to enjoy a good market despite the period of increased interest rates subsequent to the interim report last December.

For the full year to April 30, 1985 turnover surged from £10.16m to £18.16m. Operating profits improved by £947,000 to £2.71m with the residential building activities doubling their contribution from £1.23m to £2.47m. The commercial side showed a downturn of some £300,000 at £239,000.

Interest charges accounted for £478,000 (£233,000) and tax for £1.01m (£701,000).

Attributable profits emerged at £1.22m, against a previous £823,000, and earnings per share rose from an adjusted 10p to 12.8p.

The group, formed some eight years ago by Mr Jim Farrer, the chairman, and Mr Tony Pidgley, the managing director, builds high quality properties principally in prime locations in the south-east of England.

Purchases boost Erskine House

Erskine House, which has been active on the acquisition front, yesterday reported a 68 per cent increase in full year taxable profits from a restated £1.09m to £1.83m.

The office equipment sales and servicing division acquired six companies during the year to March 31, 1985 and substantially increased its profits contribution, says Mr Brian McGillivray, the chairman.

In contrast, however, the security and fire protection side has been completely reshaped with PPR Alarms being sold in March which was followed last month by the sale of the remaining PPR Security business. The businesses disposed of incurred a loss in 1984/85 of £10,000.

"The poor profit performance was mainly attributable to a very severe rise in insurance costs in the cash transit business," says Mr McGillivray.

Elsewhere, the Bureaux de Change business benefited from the high volume of tourist trade and, less significantly, from the overall rise in the value of the U.S. dollar. Erskine Services, which was started last year, has built up its contract base after a slow start while Telesurveillance (acquired last year) is expected to increase its contribution.

Overall group turnover was £6.26m higher at £21.81m and the company expects the current year to be another one of substantial progress.

Earnings per share for 1984/85 improved from 5.4p to 7.8p and the dividend total is being raised to 2.5p, against 1.5p, by a final payment of 1.9p.

● comment

Shareholders who stuck throughout the lean years of Erskine have finally been rewarded under the acquisitive helmsmanship of Brian McGillivray. The pre-tax improvement of 67 per cent and e.p.s. rise of 44 per cent speak for themselves and the pace of acquisitions shows no sign of decreasing. At least a further £5m will be spent this year and Erskine is close to clinching another deal. The purchases so far have produced a lop-sided profile in that two-thirds of turnover relates to the photocopier divisions—not what had been envisaged two years ago when the corporate plan was moulded—but that is where the acquisitions have naturally come. Once national coverage is achieved, and that should not be far away, greater emphasis will be placed on accelerating the other service operations. The theory is that fire protection, security surveillance etc. could ride through customers' doors on the coat-tails of photocopiers. For the present, acquisitions are bound to be focused on private companies where the p/es are undemanding despite a virtually ungeared balance sheet and reasonably valued paper—the historic p/e is almost 14 at 108p. Without further acquisitions profits could reach £2¼m this year on margins of 10 per cent. The ambition is to achieve 15 per cent.

All-round growth lifts GEI to £4.3m

WITH THE help of a 68 per cent growth in exports, GEI International achieved record turnover in the year to the end of March 1985. Exports now account for more than 20 per cent of UK sales.

Turnover rose from £62.37m to £71.72m, with pre-tax profits advancing by 38 per cent to £4.27m (£3.1m).

Mr Thomas Kenny, the chairman, says that all divisions were profitable and improved their results. Te is optimistic for the present year.

A highlight of the year was the performance by Sanderson Kayser, the special steels subsidiary, which earned record trading profits, and the chairman adds: "Our other steel company, Hemmings, must be the envy of many in a difficult environment."

Auto Wrappers (Norwich), in the packaging rıachinery division, returned record sales and profits and Europack achieved a major increase in profits.

The group intends to enlarge its interests in this area. As part of this plan the chairman says the company is engaged in talks with two companies, one of which is overseas.

Losses were still being made at Cox-Denholm, the Edinburgh-based manufacturer of baking ovens and associated equipment. Mr Kenny says that the losses, which are not quantified, have been reduced, but "it is not a respectable member of the GEI family until it earns profits."

Sales for each employee rose from £26,000 to £30,000, the numbers employed remaining the same throughout the year.

In the last wage round demands were settled at about 5 per cent and Mr Kenny says that if greater demands are made without increased productivity "we will reduce the labour force and accept no blame for increased unemployment."

With tax up £1.69m (£1.06m), net profits were £2.58m (£2.05m). Earnings per 20p share were 12p pre-tax, up from the previous year's 8.7p and after-tax were 7.3p (5.8p).

A final dividend payment of 3.91p is being recommended, an increase of 10 per cent on last year's 3.56p. The total is 5.85p (5.32p).

● comment

Investors have to take a lot on trust with GEI International, which is not the most forthcoming of companies in explaining its performance. Nevertheless, those who have backed the group have done well over the past year with shares climbing from a low of 62p to a 114p high before slipping bock to 110p, down 2p yesterday. The group's advance is broadly-based, with the steel companies winning new customers to compensate for a lack of National Coal Board orders last year, and the packaging businesses buoyed by the April 1983 acquisition of Metramatic in the U.S. The current year should see further progress, with sales to the NCB returning to the steel order book. Pre-tax profits of £4.75m look possible, putting the shares of an multiple of nearly 13. At this level, the shares are well up with events and would indeed look expensive but for the 7.5 per cent yield.

Dowding & Mills

Terms have been agreed for Dowding and Mills to acquire a majority interest in Geha Holdings BV, a private group of companies based in the Netherlands, *for a total consideration of* NFl 2.06m, or approximately £468,555.

The consideration is to be statisfied by the issue of 689,051 new ordinary shares, to be placed with institutions.

Dowding will acquire an 80 per cent interest in Geha, and immediately following the acquisition there will be a rights issue in Geha for which Dowding intends to subscribe for its entitlementat a cost of NFl 1.2m (£272,944).

Corning ahead

Almost doubled pre-tax profits of £5.13m were achieved in the year to December 2 1984, at Corning, compared with £2.93m. Turnover for this Sunderland-based glass manufacturer was ahead at £57.34m against £50.72m, generating an operating profit up from £3.55m to £5.53m.

Interest payable was lower at £213,000 (£385,000), and there were losses of £185,000 (£234,000), from a partnership venture.

Tax took £179,000 (£32,000). The company's ultimate holding company is Corning Glass Works of the U.S.

BOARD MEETINGS

TODAY

Interims: Anglia Television, Arbuthnot Japan Growth Fund, Arbuthnot Sterling Fund, Arbuthnot Yen Bond Fund, Robert Horne, Inn Leisure, Kenning Motor, Arthur Lee, Lookers, Scottish American Investment.

Finals: Bisichi Tin, British Telecom, C.H. Industrials, Godfrey Davis, Headlam Sims and Coggins, London and Associated Investment Trust, Mountview Estates, Northern Foods, Oxford Instruments, Powell Duffryn, John Waddington.

FUTURE DATES

Interims—	
ASEA AB	Aug 12
Assocd. Newspapers	July 9
Daily Mail and General Trust	July 9
First Leisure	July 11
Wheway Watson	June 27
Finals—	
Allied Colloids	June 27
Anchor International Fund	June 25
Barton Group	June 24
Braithwaite Engineers	June 26
E.R.F.	June 27
Grampian Television	June 27

IN BRIEF

Steinberg down £1m

The six months to end March 1985 saw a further profit decline at Steinberg Group, a Marks & Spencer supplier, and the company's pre-tax return fell by £1.07m to £2.04m for the full year. The dividend is held at 1.2p for an unchanged 2.2p total.

The directors identify three major factors in the downturn. There were losses, as anticipated, in the new Hornsea Pottery business; net interest costs increased from £366,000 to £879,000, reflecting the level of debt incurred to fund substantial capital investment; and mistakes were made in the range structure, commitment levels and pricing policy of the group's Alexon merchandise. Management changes have been made and new policies implemented, they say.

Turnover was down from £46.07m to £45.88m, and after a charge of £313,000 (£455,000) for tax earnings per share are shown at 8.81p (14.12p).

THE INVESTMENT COMPANY lifted total profits from £882,190 to £1.27m in the year to March 31 1985, including £575,573 (£261,626) profits on changes of investments. The dividend is raised from an equivalent 0.963p to 1.05p with a final of 0.613p. Earnings per share are stated at 3.66p (3.17p) on increased capital.

ASSOCIATED ENERGY SERVICES, the building and environmental maintenance services and catering distributor, is set to experience a strong second half and hopes to increase the single final dividend. For the opening six months to end-March 1985, turnover of this USM stock moved up from £1.52m to £2.93m and generated higher operating profits of £290,000 against £233,000. Most of the increase was attributable to the maintenance and servicing side. The taxable result, however, was down by £10,000 to £203,000 following an increase in interest charges. Earnings per share were lower at 1.68p (2.16p).

Copies of this document, which comprises listing particulars with regard to Kalon Group PLC required by The Stock Exchange (Listing) Regulations 1984, have been delivered for registration to the Registrar of Companies in England and Wales as required by those Regulations. Application has been made to the Council of The Stock Exchange for the whole of the share capital of Kalon Group PLC, issued and to be issued, to be admitted to the Official List.

The Directors of the Company, whose names are set out in the section entitled "Directors, management and employees", are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The merger is conditional upon the placing described herein. This document assumes that the merger has been effected.

Listing
of

Kalon Group PLC

(previously Leyland Paint & Wallpaper p.l.c.)

following the merger
of Kalon Limited and
Leyland Paint & Wallpaper p.l.c.

and the placing of 10,000,000 Ordinary shares of 15p each

by

S. G. Warburg & Co. Ltd. and **County Bank Limited**

PART I

Directors and advisers

Directors

Leslie Howard Silver, OBE, Chairman
James Bruce McDonald, Deputy Chairman
Oded Brosh
James Stephens Huntley
Donald William Komrower, BA(Hons.), ATI
George Edward Moore, FCA
Mark Simon Silver
Eric Smith, FTSC
Gervase Alan Thomas, MA, FCA (*Non-executive*)

all of Huddersfield Road, Birstall, Batley, West Yorkshire WF17 9XA

Secretary and registered office

William Gordon Midgley
Huddersfield Road, Birstall, Batley, West Yorkshire WF17 9XA

Auditors to Kalon and joint reporting accountants

Robson Rhodes, Chartered Accountants,
186 City Road, London EC1V 2NU and
St. George House, 40 Great George Street, Leeds LS1 3DQ

Auditors to Leyland and joint reporting accountants

Peat, Marwick, Mitchell & Co., Chartered Accountants,
Unicentre, Lords Walk, Preston PR1 1LQ

Stockbrokers

Cazenove & Co.,
12 Tokenhouse Yard, London EC2R 7AN

Williams de Broe Hill Chaplin & Company Limited,
Pinners Hall, Austin Friars, London EC2P 2HS

Solicitors

Ashurst, Morris, Crisp & Co.,
Broadgate House, 7 Eldon Street, London EC2M 7HD

Norton, Rose, Botterell & Roche,
Kempson House, Camomile Street, London EC3A 7AN

Principal bankers

Lloyds Bank Plc,
6-7 Park Row, Leeds LS1 1NX

Registrars and transfer office

National Westminster Bank PLC,
Registrars Department, P.O. Box 82, 37 Broad Street, Bristol BS99 7NH

Summary of information

The following information is derived from and should be read in conjunction with the full text of this document:—

Business

Kalon Group, which has been formed from the merger of Kalon and Leyland, is a substantial independent British paint, surface coating and chemical products group. with an annual turnover of some £70 million and employing over 1,400 people.

The Group has two main operating divisions. The Decorative Division sells a wide range of decorative paint, wallcoverings and decorating sundries to the retail and trade markets both in the United Kingdom and overseas. In recent years, the Group's growth has been achieved through the development of sales to DIY superstores and supermarket chains and to the trade through its national network of trade centres. The Industrial Division is a major supplier of polymers to the coating industry, manufactures paint and surface coatings for industrial applications and supplies cleaning, maintenance and protective chemicals.

Prospects

The Directors believe that the separate trading strengths of Kalon and Leyland, combined with the financial, technical and managerial resources of the Group, provide potential for growth which should be significantly enhanced by opportunities for synergy. The Directors believe that the merger will benefit shareholders, employees and customers of the Group and will provide a more prosperous future than would otherwise have been available to either company.

Trading record of the Group

The following table summarises the pro-forma turnover and profit before taxation of the Group by aggregating the results of Kalon and the continuing operations of Leyland throughout the relevant periods. It should be noted that the table takes no account of the benefits which are expected to flow from the merger, nor does it reflect the results which might have been achieved had the two companies been merged for the full five years:—

Year ended 31st December	Turnover £000	Profit before taxation £000
1980	32,623	2,395
1981	44,763	2,081
1982	55,315	1,523
1983	65,006	2,755
1984	69,258	2,512

Financial statistics

Placing price per Ordinary share	**30p**
Number of Ordinary shares in issue	**116,969,423**
Market capitalisation at the placing price	**£35million**
Forecast special dividend per Ordinary share in respect of the year ending 31st December, 1985	**0.8p**
Indicated gross dividend yield at the placing price*	**5.7 per cent.**
Pro-forma net tangible assets per Ordinary share as at 31st December, 1984	**16.2p**

*The indicated gross dividend yield is calculated on the basis that the forecast special dividend of 0.8p represents two-thirds of a notional full year dividend of 1.2p.

Share capital

Authorised		Issued and fully paid
£23,250,000.00	Ordinary shares of 15p each	£17,545,413.45

All the 116,969,423 Ordinary shares in issue rank in full for all dividends and other distributions hereafter declared, paid or made on the Ordinary share capital of the Company.

Indebtedness

At the close of business on 17th May, 1985 Kalon and Leyland had in aggregate outstanding secured bank overdrafts of £8,587,000, a debenture of £65,000, hire-purchase commitments of £1,189,000 and bills discounted of £252,000. Save as aforesaid, and apart from intra-group liabilities, at that date neither Kalon nor Leyland nor any of their subsidiaries had any loan capital (including term loans) outstanding or created but unissued, nor any mortgages or charges, nor any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments, or guarantees or other material contingent liabilities.

The above does not take account of the net proceeds received on 22nd May, 1985 of £554,070 in respect of the disposal of Leyland's investment in William Morris Fine Arts Public Limited Company. Details of the investment are set out in note 6(xi) of Part V.

Definitions

In this document, unless the context otherwise requires, the following expressions shall bear the following meanings:—

'the Company'	Kalon Group PLC (formerly Leyland Paint & Wallpaper p.l.c.)
'Kalon Group' or 'the Group'	the Company and its subsidiaries
'Kalon'	Kalon Limited
'Leyland'	Leyland Paint & Wallpaper p.l.c. prior to the merger
'the Directors'	the Directors of the Company following the merger
'Ordinary shares'	Ordinary shares of 15p each in the Company
'the placing'	the placing of Ordinary shares described in this document
'Warburgs'	S. G. Warburg & Co. Ltd.
'County Bank'	County Bank Limited

PART II

Introduction

On 4th April, 1985 it was announced that agreement had been reached in principle for the merger of Kalon and Leyland with the aim of establishing a substantial independent British paint, surface coating and chemical products group. On 17th June, 1985, the merger, which involves the issue by Leyland of 91.5 million Ordinary shares to acquire Kalon, was approved by the shareholders of Leyland. As part of the merger arrangements, 10,000,000 Ordinary shares have been placed in the market on behalf of Mr. Leslie Silver at a price of 30p. At this price Kalon Group has a market capitalisation of £35 million.

Kalon Group combines two major United Kingdom paint companies which, while having similar technological backgrounds, serve largely different sectors of the paint market. The Group intends to maintain their separate identities and to support their existing brands and customers to the full, while improving service, marketing and purchasing to the benefit of customers, shareholders and employees.

History

Kalon

Kalon was formed in 1947 as Silver Paint and Lacquer Company Limited by the present chairman, Mr. Leslie Silver, and was renamed Kalon Limited in 1982. It began as a paint wholesaler but soon started to manufacture its own products. Initially, the principal products were various coatings for industrial applications, but in the late 1950s Kalon started producing emulsion paints and other decorators' products.

In the late 1960s the company developed its own brand of paint, "Home Charm", which was launched through a supermarket chain based in Leeds. The company recognised the changing pattern of paint retailing involving a movement away from traditional paint outlets, such as ironmongers and hardware shops, to the supermarket chains and emerging multiple DIY superstores. Kalon's successful response to this change was one of the cornerstones of its development.

Over the last ten years the company has increased its share of the UK decorative paint market, principally by expanding sales of paint to large DIY retailers under the customer's 'own label'. Kalon has become the largest 'own label' paint manufacturer in the UK. In 1979 the company received the Queen's Award for exports.

Since the early 1970s Kalon has expanded its activities by a combination of internally generated growth and acquisition. Smyth-Morris (Chemicals) Limited was established in 1971 to manufacture maintenance and cleaning chemicals. Kirklees Chemicals Limited was formed in 1974 to produce polymers and in 1975 Investors in Industry plc provided a loan of £375,000 to enable Kalon to finance the installation of new plant and to modify the buildings at Kirklees Chemicals. Leeds Paint Manufacturing Company Limited, a well established local paint manufacturing company selling to more traditional trade and decorative retail outlets, and The New Victoria Wallpaper Company Limited, producing 'own label' embossed wallpaper, were acquired in 1977 and 1981 respectively.

In 1981 the company purchased for cash the Bestobell Paint and Chemical Company Limited ("Bestobell Paint") from Bestobell plc. Bestobell Paint's principal brand names are Carsons and Hadfields, although it also has some major 'own label' customers and an established industrial coating business under the Hadfields name. Its principal market is the South of England, complementing Kalon's traditional strength in the North of England. Bestobell Paint's chemical division (now the Penetone and Horgen divisions) based in Cramlington, near Newcastle-upon-Tyne, makes and distributes a range of cleaning and maintenance chemicals.

During the last 5 years Kalon has successfully implemented a £13 million investment programme to support its growth. In 1983, as part of this programme, Kalon purchased a 60 acre site at Birstall, near Leeds, and has established a modern, automated factory, a warehouse and its head office on the site. The factory, which is amongst the most modern paint manufacturing facilities in Europe, was commissioned in February 1985 and is now fully operational.

Leyland

Leyland was founded in 1922 as Leyland Paint & Varnish Company Limited primarily to manufacture and sell water based paint under the trade mark "Leytex", but it rapidly expanded into the production of a wide range of oil paints for decorative purposes. From the outset it has produced a high-quality product aimed at the discerning tradesman and quality market and, in parallel, developed a wallpaper distribution business.

Leyland obtained a stock market quotation in 1956 and in 1971 changed its name to Leyland Paint & Wallpaper Limited. Between 1959 and 1980 Leyland continued to expand, largely by acquisitions. These included Paragon Wallpapers Limited, which provided Leyland with a wallpaper production capability; Regency Paints Limited, a wholesale and retail wallpaper and paint organisation in Scotland; and Blaskeys (Wallpapers) Limited, which provided 35 additional retail outlets. In 1972 Leyland acquired John Matthews & Co. Limited, manufacturers of the "Jellipex" brand, and its chain of 23 specialist shops. By 1980 the number of trade and retail outlets had been increased by further small acquisitions to 130, including 27 trade centres.

Between 1980 and 1982 falling volume and rising costs caused Leyland's profits to deteriorate and substantial losses were incurred in 1982 and 1983. In 1983 major steps were taken to reconstruct the company, including the disposal or closure of the retail shops, and a major cost reduction and rationalisation programme was implemented. In the same year a new board under the chairmanship of Mr. Gervase Thomas was established and subsequently Mr. James McDonald joined the company as managing director. Hambros Bank Limited and other institutions, led by York Trust Limited, subscribed £1.7 million of new equity in April 1984. On 17th December, 1984 the sale of Leyland's wallcovering interests to William Morris Fine Arts Public Limited Company and the disposal of its shares in Berkley Wallcoverings Inc. to Canadian investors were finalised, realising approximately £5 million.

By the end of July 1985, Leyland will have completed a substantial investment programme to install up-to-date methods of paint manufacture and of process control at its factory in Leyland. In addition it is continuing to develop its trade centre network which currently comprises 40 of its own units and a growing number of franchised units.

Business

Summary

The Group has two main operating divisions:—

(1) the Decorative Division, which manufactures, processes and markets gloss and emulsion paints under well known brand names together with customers' 'own label' paints, and embossed wallpapers under the New Victoria Wallpaper name; and

(2) the Industrial Division, which is a major supplier of polymers to the coating industry, manufactures paint and surface coatings for industrial applications and supplies cleaning, maintenance and protective chemicals.

In the year ended 31st December, 1984, approximately 85 per cent. of Kalon Group's sales were in the United Kingdom. An analysis of turnover by division is set out below:—

	United Kingdom £000	Exports £000	Total £000
The Decorative Division			
— Kalon	31,448	3,762	35,210
— Leyland	13,692	2,204	15,896
	45,140	5,966	51,106
The Industrial Division, net of intra-group sales	14,011	4,141	18,152
	59,151	10,107	69,258

No single customer accounts for more than 10 per cent. of the Group's sales.

The Decorative Division

Competitors, products and customers

The UK decorative paint market is supplied principally by UK based manufacturers. There are some 200 decorative paint manufacturers in the UK, of which the largest are ICI, Crown and Berger. The majority of decorative paint is sold under the manufacturers' own brand names, such as ICI's "Dulux", although increasingly paint is being sold under customers' 'own label'. The decorative paints activities of the major manufacturers generally form only a part of the activities of their respective groups. Kalon, Blundell Permoglaze and Johnstones Paints are the only publicly quoted companies whose primary business is the manufacture of decorative paint.

Kalon

The principal products of Kalon's decorative division are emulsion and gloss paint which represent approximately 85 per cent. of the division's sales. The remainder comprises wallpapers and decorating sundries.

The mix of Kalon's sales has reflected the increasing importance of the DIY superstores in the 'own label' retail paint market. Kalon's modern manufacturing facilities enable it to provide the service and support required by such customers.

Kalon's own brands, the most popular of which are "HomeCharm", "Carsons", "Carsons Colouriser" and "Deloria", are sold to supermarkets and independent retailers. The "Hadfields" brand is sold exclusively to the trade and local authorities.

Export sales are primarily to wholesalers and retailers in the Middle East, especially Saudi Arabia and Oman.

Leyland

Leyland's principal products are its high quality "Leyland" brand emulsion and gloss paints. The main range is supported by an extensive range of specialist paints, other brands such as "Jellipex" and sales of wallpaper and decorating sundries. Through its growing network of trade centres, which offer a highly efficient and local service to customers, Leyland sells extensively to independent retailers and trade customers, from the small decorator to the large contractor and local authorities.

In 1984 approximately half of the UK sales of "Leyland" paint were through independent retailers while, in the trade market, Leyland is able to offer a comprehensive service to the tradesman through its chain of trade centres and remains one of the largest independent distributors of wallcoverings in the UK.

Marketing, selling and distribution

Kalon

Kalon's promotional and advertising expenditure is relatively low, being principally expenditure on point of sale displays, new colour cards and brochures. Kalon considers that it benefits from the extensive advertising of paint as a product by the brand leaders but does, however, rely on its 'own label' customers to market their products and from time to time supports these customers' own advertising campaigns.

Kalon's sales representatives visit each customer's store on a regular basis, providing each outlet with both an in-store display and a stock replenishment service. This service, supported by effective national distribution, which provides regular and reliable delivery, is a key feature of Kalon's expanding sales. Kalon's distribution is mainly carried out by its own transport division which serves both the Decorative and Industrial Divisions.

An export sales team regularly visits customers and agents abroad, and export sales are made primarily through locally appointed agents.

Leyland

Leyland has a national sales force of some 50 salesmen and managers who are supported by selective marketing and media coverage. Leyland's sales office provides immediate product availability information and a wide range of technical and colour advisory services, including complete technical specifications and the provision of colour schemes. Leyland's growing number of owned and franchised trade centres, which are situated in most of the important conurbations in the UK provide all customers with local contact and support. Leyland distributes from its central warehouse to its trade centres, which then provide a collection and delivery service to customers in their area.

Leyland exports approximately 15 per cent. of its products mainly to Middle Eastern markets, where customers are visited regularly by Leyland's own export sales staff.

Production

Kalon

Kalon's paint production facilities include its modern factory in Birstall, which was commissioned in February 1985; it also has factories at Morley and Mitcham. In the new Birstall plant, the production process is automated and all powder and liquid handling is computer controlled. The plant has been designed specifically to provide the necessary production capacity for Kalon's current operating level, whilst providing the flexibility to meet significant additional demand by increasing capacity at minimal extra cost.

Leyland

Production of Leyland's paint range takes place at its factory at Leyland, which is currently undergoing modernisation and has been designed to provide the efficient and flexible production base necessary to support a complete range of products, colours and specifications for both trade and retail customers.

The Industrial Division

The Industrial Division has three main activities:—

Emulsion polymers

Kirklees Chemicals manufactures polymers, primarily for use in the manufacture of emulsion paint. These products form up to 35 per cent. of the material content of emulsion paint. Kirklees currently supplies 80 per cent. of Kalon's requirements for emulsion resin and some 27 per cent. of its sales are exported to the EEC and the Middle East. It is concentrating on increasing its sales to the expanding market in the adhesives and building products industries worldwide.

Chemicals for industrial applications

Smyth-Morris Chemicals (including Smyth-Morris S.A. in Spain), Penetone and Horgen produce and distribute a range of degreasers, soaps and chlorinated solvents for a variety of industrial cleaning applications, especially in the engineering, electrical and electronics industries. It is one of the three main distributors in the UK of 111 trichlorethane and methylene chloride for the Dow Chemical Company of America.

Industrial coatings

Hadfields Industrial Coatings, based principally in Mitcham, Surrey, manufactures and supplies a range of industrial paints and coatings to various industries; the extensive product range includes vehicle refinishing systems, electrical insulating varnishes, thinners, primers and undercoats. It is the UK member of "The Nova Paint Club" and thereby participates in the exchange of surface coatings technology with eight overseas manufacturers. A joint venture, SFD (Great Britain) Limited, is being established with Société Française Duco, a leading French manufacturer of vehicle refinishing systems to promote jointly a range of car refinish products, which are sold through distributors.

The above activities are supported by sales and manufacturing facilities which are separate from those of the Decorative Division.

Research and development

Whilst retaining their separate identities, close co-operation between the two research and development departments will provide the Group with a strengthened technical base. Both departments concentrate mainly on quality control and the development of improved product formulations with the prime intention of achieving a more effective production process, whilst maintaining product quality and performance.

Kalon has developed, and continues to develop, several new products, including solid matt emulsion, *smooth stone paint* and a new range of wood preservative products. Leyland has recently developed a microporous water based gloss paint known as Leyland 2000, launched in March 1985 and a 'user friendly' water based wood preservative.

The Industrial Division has recently developed and launched a number of new products including the 2400 Series high-binding polymer and "Citrikleen", a bio-degradable degreaser.

Directors, management and employees

Directors of the Company

Leslie Howard Silver, OBE, aged 60, is Chairman and Chief Executive. He founded Kalon in 1947 and has been largely responsible for its subsequent growth and development. He is a past President of the Paintmakers Association and other trade bodies and is currently a member of the Yorkshire, Humberside and East Midlands Regional Industrial Development Board, a non-executive director of Shaw Carpets plc and Chairman of Leeds United Football Club Limited.

James Bruce McDonald, aged 40, is Deputy Chairman and an executive director. After qualifying as a barrister, he has had wide managerial experience in the building materials and engineering industries with Redland plc and Johnson & Firth Brown plc and a period of four years with a US management consultancy company. He joined Leyland as Managing Director in November 1983.

Oded Brosh, aged 38, is Operations Director with responsibility for purchasing and operations including warehousing, transportation and distribution. He is a son-in-law of Leslie Silver and joined Kalon in 1977 following a career in transport and shipping. He was appointed a Director of Kalon in 1981.

James Stephens Huntley, aged 54, is Chief Executive of the Decorative Division. He joined Kalon as a Director in 1982 having previously been sales director of the resin division of Cray Valley Products Limited, a subsidiary of Coates Brothers PLC.

Donald William Komrower, BA(Hons), ATI, aged 36, is Chief Executive of the Industrial Division. He is a son-in-law of Leslie Silver and joined Kalon in 1974 having previously worked in the textile industry. He was appointed a Director of Kalon in 1978.

George Edward Moore, FCA, aged 48, is Finance Director with overall responsibility for finance, computing and general administration. He joined Kalon as a Director in 1977 following a career in finance, industrial engineering, operational research and management consultancy with Pilkington Brothers plc, The Plessey Co. plc and Robson Morrow.

Mark Simon Silver, aged 25, is the Director responsible for Hadfields Paints within the Decorative Division. He is the son of Leslie Silver and joined Kalon in 1977 as a trainee. He was appointed a Director in 1984.

Eric Smith, FTSC, aged 42, is the Technical Director with responsibility for quality control and research and development in the Decorative Division. He has been with Kalon for 26 years and was appointed a Director of Kalon in 1971.

Gervase Alan Thomas, MA, FCA, aged 55, is a non-executive Director of the Group. Prior to the merger he was Chairman of Leyland, a position which he assumed in June 1983, having joined Leyland as a non-executive Director in 1982. He is also a Director of York Trust Holdings Limited and Park Place Investments p.l.c.

Certain of the executive directors of Kalon Group have service agreements, details of which are set out in paragraph 4 of Part VI.

Company Secretary

William Gordon Midgley, aged 64, is Company Secretary. He joined Leeds Paint Manufacturing Company Limited in 1971 and, following its acquisition by Kalon in 1977, was appointed Company Secretary of Kalon.

Management

The Board is supported by a professional team of senior executives, drawn from Kalon and Leyland, with a wide range of experience in the industry who are responsible for the management of the operating companies and essential group services. This team, assisted by the efforts and loyalty of all the Group's employees, provide the basis for the continuing success of the business.

Employees

The Group has the following number of employees:—

The Decorative Division	1,063
The Industrial Division	316
Finance and administration	98
	1,477

The Group has a good relationship with its employees. The Directors consider that the continuing motivation of management and employees is vital for the success of the Group and have therefore recently adopted an executive share option scheme under which it is proposed to issue options as soon as practicable. They are extending the Leyland Savings-Related Share Option Scheme to all employees of the Group to enable them to identify closely with its financial performance and to provide longer-term financial incentives. Kalon operates a profit sharing scheme whereby all employees with over six months' employment may qualify for a share of its profits and the Directors also intend to extend that scheme to all Group employees.

Following the merger, the Group will continue to operate the pension schemes previously operated by the two companies. In due course, these schemes may be combined without loss of benefit to members. Reports received from the funds' actuaries have indicated that each is fully funded on the basis of past service and expected final pensionable salaries at normal retirement date.

Financial information

Trading record of the Group

The following table, based on the pro-forma financial information set out in Part III, summarises the results of the Group (under the historical cost convention) for the five years ended 31st December, 1984 by aggregating the results of Kalon and the continuing operations of Leyland throughout the relevant period:—

Year ended 31st December	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Turnover	32,623	44,763	55,315	65,006	69,258
Profit before interest and taxation	3,143	2,748	2,350	3,604	3,317
Share of profit/(loss) of related companies	—	—	30	(2)	4
Net interest payable	(748)	(667)	(857)	(847)	(809)
Profit before taxation	2,395	2,081	1,523	2,755	2,512
Represented by:					
Kalon	1,194	1,485	1,394	3,302	3,071
Leyland	1,201	596	129	(547)	(559)

It should be noted that this table takes no account of the benefits which are expected to flow from the merger, nor does it reflect the results which might have been achieved had the two companies been merged for the full five years.

Whilst the acquisition of the paint and chemical operations from Bestobell in May 1981 substantially increased Kalon's turnover, the existing businesses have achieved a strong growth record in an industry sector which has seen little growth over the same period. This growth record, particularly in 1983, has been achieved by Kalon's ability to increase its sales to the expanding DIY superstores and national supermarket chains.

The growth of Leyland's turnover between 1980 and 1983 was largely attributable to the growth in paint sales to its chain of retail shops. The reduction in turnover in 1984 reflects the loss of these sales following the disposal of most of its shops.

After absorbing the costs of acquiring and revitalising the paint and chemical operations of Bestobell during 1981 and 1982, Kalon's results in 1983 show the benefits of the growth in turnover achieved both by the acquisition and by increased sales to the large retailers.

Kalon's results for 1984 reflect the exceptional revenue costs and the disruption to the business incurred as a necessary but inevitable consequence of the extensive investment in the group's future through its major new facilities at Birstall.

During the four years to 1983 Leyland suffered a severe decline in its profitability and underwent major reorganisation in 1983 and 1984. This included the sale of most of its retail shops, its wallcovering interests and its shares in Berkley Wallcoverings Inc. together with a substantial reduction in overheads and bank borrowings.

Net assets

The pro-forma net assets of the Group (under the historical cost convention) as at 31st December, 1984, as shown in Part III, amounted to £19.0 million, representing 16.2p per Ordinary share on the Company's enlarged share capital.

Dividends

In the absence of unforeseen circumstances, the Directors intend to pay in February 1986 a special interim dividend in lieu of a final dividend of 0.8p per Ordinary share (net of the associated tax credit) in respect of the year ending 31st December, 1985.

The Directors intend in future years to pay an interim dividend in November and to recommend a final dividend for payment in July. It is intended that one-third of the annual dividend would be paid by way of the interim dividend and two-thirds by way of the final dividend.

Current trading

The volume of Group sales in January and February was disappointing, but there was an encouraging recovery in March which has since been sustained. Although the increases in raw material costs experienced in the latter half of 1984 are continuing, the Group has recently implemented increases in selling prices to reflect this. Profits of the Group will be weighted towards the second half of the year, reflecting the seasonal pattern of paint sales.

Whilst the full benefits of Leyland's continuing recovery and of the commissioning of Kalon's new factory at Birstall have yet to be realised, the Directors believe that the current trading level provides a good base for growth.

Prospects

Kalon's strong position in the supply of 'own label' paints to DIY superstores, which are assuming an increasingly important position in the decorative paint market, complements Leyland's well-established high-quality brands in the retail and trade markets. In addition, although both companies supply similar export markets, there is very little overlap between Kalon and Leyland in the customers served. The Group intends to use its financial strength to develop its brands and trade centres and to develop and support new products and customers.

In the Industrial Division, the Group is continuing to expand its chemical businesses, particularly by the development of new products, including high-binding polymers, resins for the adhesives market and a variety of chemicals for the industrial cleaning market. The industrial coatings business achieved good growth in 1984 and, despite the depressed level of industrial manufacturing activity, continues to perform well.

The full benefits of Kalon's new facilities at Birstall, commissioned in February, Leyland's major reorganisation completed in January and its factory modernisation to be completed by the end of July are becoming available to the Group progressively during 1985.

The Directors consider that the combination of Kalon and Leyland will provide significant operating advantages in such areas as purchasing power, rationalisation of raw material supplies, flexibility of manufacturing resources and access to each company's distribution system. Further development of product formulae utilising modern technology and the co-ordination of the separate research and development teams should produce manufacturing benefits in addition to new market opportunities.

The Directors believe that the separate trading strengths of Kalon and Leyland, combined with the financial, technical and managerial resources of the Group, provide potential for growth which should be significantly enhanced by opportunities for synergy. The Directors believe that the merger will benefit shareholders, employees and customers of the Group and will provide a more prosperous future than would otherwise have been available to either company.

PART III

Pro-forma financial information on the Group

Set out below are pro-forma profit and loss accounts for the five years ended 31st December, 1984, aggregating the results of Kalon and the continuing operations of Leyland throughout the relevant period, and a pro-forma statement of the aggregated net assets at that date. The pro-formas are based on the historical cost accounts in the respective accountants' reports set out in Parts IV and V.

1. Pro-forma profit and loss account

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Turnover						
Kalon		18,234	29,028	38,364	47,910	53,362
Leyland		14,389	15,735	16,951	17,096	15,896
		32,623	44,763	55,315	65,006	69,258
Profit/(loss) before interest and taxation						
Kalon		1,721	1,973	1,982	3,890	3,626
Leyland		1,422	775	368	(286)	(309)
		3,143	2,748	2,350	3,604	3,317
Share of profit/(loss) of related companies						
Kalon		—	—	—	(26)	(6)
Leyland		—	—	30	24	10
		—	—	30	(2)	4
Interest payable						
Kalon		527	488	588	562	549
Leyland		221	179	269	285	260
		748	667	857	847	809
Profit/(loss) before taxation						
Kalon		1,194	1,485	1,394	3,302	3,071
Leyland		1,201	596	129	(547)	(559)
		2,395	2,081	1,523	2,755	2,512
Notional taxation	(iii)	838	728	533	964	879
Profit after notional taxation		1,557	1,353	990	1,791	1,633
Notional earnings per share	(iv)	1.33p	1.16p	0.85p	1.53p	1.40p

Notes:—

(i) The above pro-forma summary of the results for the five years to 31st December, 1984 includes:

(a) the consolidated profit and loss accounts of Kalon as shown in the accountants' report in Part IV of this document showing the profit on ordinary activities before taxation, adjusted to exclude pre-operational interest costs relating to the major capital development at Birstall of £118,000 in 1983 and £356,000 in 1984;

(b) the consolidated profit and loss accounts of Leyland as shown in the accountants' report in Part V of this document showing the profit/(loss) on ordinary activities before taxation of the continuing operations of Leyland, adjusted:

—to include the costs relating to unused properties which are still owned by Leyland of £189,000 in 1983 and £272,000 in 1984;

—to remove certain overheads from the stock valuation of Leyland, the consequence of which is to increase the losses by £156,000 in 1983 and £37,000 in 1984.

(ii) Following an actuarial review of the Leyland pension fund, no employer's contributions have been made since April 1984 and no further employer's contributions are required in respect of existing members until April 1986. The estimated consequential reduction in employer's contributions for the continuing operations of Leyland in 1984 was £134,000.

(iii) No meaningful corporation tax charge can be computed assuming Kalon and the continuing operations of Leyland had been combined throughout the five year period. Accordingly, for the purpose of the above pro-forma, notional corporation tax at 35 per cent. has been assumed, being the rate of corporation tax applicable from 1st April, 1986.

(iv) Notional earnings per share have been based on the profit for each year after the notional tax charge and on the 116,969,423 Ordinary shares of 15p each which will be in issue following the merger with Kalon.

2. Pro-forma statement of net assets at 31st December, 1984

	Kalon £000	Leyland £000	Total £000
Fixed assets			
Tangible assets	15,070	2,931	18,001
Investments	94	91	185
	15,164	3,022	18,186
Current assets			
Stocks	8,727	2,944	11,671
Investments	—	690	690
Debtors	11,622	2,489	14,111
Cash at bank and in hand	22	30	52
	20,371	6,153	26,524
Creditors: Amounts falling due within one year:			
Bank overdraft	6,042	998	7,040
Creditors and accruals	13,121	3,700	16,821
	19,163	4,698	23,861
Net current assets	1,208	1,455	2,663
Total assets less current liabilities	16,372	4,477	20,849
Creditors: Amounts falling due after more than one year	(402)	—	(402)
Provision for liabilities and charges	(1,422)	(29)	(1,451)
	14,548	4,448	18,996
Capital and reserves			
Called up share capital			17,525
Reserves			
Share premium			112
Profit and loss account			1,359
Shareholders' funds			18,996

Notes:—

(i) The above pro-forma statement of net assets at 31st December, 1984 is based on:

(a) the consolidated balance sheet of Kalon as shown in the accountants' report in Part IV of this document;

(b) the consolidated balance sheet of Leyland as shown in the accountants' report in Part V of this document adjusted to reflect the following as if they had taken place at 31st December, 1984:

—the receipt on 15th January, 1985 of £2,081,000 being the balance of the proceeds from the sale of the wallcovering interests;

—the receipt on 15th January, 1985 of the proceeds of £1,673,000 from the disposal of the investment in Berkley Wallcoverings Inc.;

—the payment of outstanding trade creditors of £1,615,000 and the collection of outstanding trade debtors of £1,977,000 of the wallcoverings operation;

and to remove certain overheads amounting to £193,000 from the stock valuation of Leyland, so as to be on a comparable basis with Kalon.

(ii) The capital and reserves shown above assume the issue of 91,500,000 Ordinary shares of 15p each for the acquisition of Kalon. The merger has been accounted for in accordance with Statement of Standard Accounting Practice No. 23 on accounting for acquisitions and mergers.

(iii) The above pro-forma statement of net assets does not take into account the costs of the application for listing estimated at £650,000.

3. Accounting policies

The accounting policies adopted by Kalon and Leyland, which are set out in the respective accountants' reports, do not differ in any material respects.

PART IV

Accountants' report on Kalon

The following is a copy of a report on Kalon by Robson Rhodes, Chartered Accountants, and Peat, Marwick, Mitchell & Co., Chartered Accountants, to the Directors of Kalon, the Directors of Leyland, the Directors of Warburgs and the Directors of County Bank.

Robson Rhodes
186 City Road
London
EC1V 2NU

Peat, Marwick, Mitchell & Co.
Unicentre
Lords Walk
Preston
PR1 1LQ

18th June, 1985

The Directors,
Kalon Limited

The Directors,
Leyland Paint and Wallpaper p.l.c.

The Directors,
S. G. Warburg & Co. Ltd.

The Directors,
County Bank Limited

Gentlemen,

Kalon Limited

1. Introduction

We have examined the financial information set out below of Kalon Limited and its subsidiaries for the five years ended 31st December, 1984. Our examination has been carried out in accordance with approved auditing standards.

Robson Rhodes have been auditors to Kalon Limited throughout this period.

The financial information set out in this report is based on the audited accounts of Kalon Limited and its subsidiaries after making such adjustments as we consider appropriate.

In our opinion, the financial information set out under the heading Historical Cost Accounts gives, for the purpose of this document, under the historical cost convention, a true and fair view of the profit and source and application of funds of Kalon Limited and its subsidiaries for the five years ended 31st December, 1984 and of the state of affairs of Kalon Limited and its subsidiaries at that date.

In our opinion, the financial information set out under the heading Current Cost Accounts has been properly prepared in accordance with the policies and methods described in the notes thereto to give the information required by Statement of Standard Accounting Practice No. 16.

No audited accounts of Kalon Limited or any of its subsidiaries have been made up in respect of any periods subsequent to 31st December, 1984.

HISTORICAL COST ACCOUNTS

2. Consolidated profit and loss accounts

The profit and loss accounts of Kalon Limited and its subsidiaries for the five years ended 31st December, 1984 are set out below:—

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Turnover	(i)	18,234	29,028	38,364	47,910	53,362
Cost of sales		(12,243)	(19,107)	(25,987)	(31,510)	(35,347)
Gross profit		5,991	9,921	12,377	16,400	18,015
Consequential loss insurance claim	(ii)	175	—	—	—	—
		6,166	9,921	12,377	16,400	18,015
Distribution and selling costs		(3,292)	(5,632)	(7,432)	(9,038)	(10,269)
Administrative expenses		(1,153)	(2,316)	(2,963)	(3,472)	(4,120)
Operating profit	(iii)	1,721	1,973	1,982	3,890	3,626
Share of loss of related company		—	—	—	(26)	(6)
Interest payable	(v)	(527)	(488)	(588)	(680)	(905)
Profit on ordinary activities before taxation		1,194	1,485	1,394	3,184	2,715
Taxation on profit on ordinary activities	(vi)	(567)	(674)	(617)	(1,160)	(967)
Profit on ordinary activities after taxation		627	811	777	2,024	1,748
Extraordinary items after taxation	(vii)	1,127	(63)	—	696	1,098
Retained profit for the year		1,754	748	777	2,720	2,846
Earnings per share	(viii)	0.7p	0.9p	0.9p	2.2p	1.9p

3. Consolidated balance sheets

The consolidated balance sheets of Kalon Limited and its subsidiaries at 31st December, 1980 to 1984 are set out below:—

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Fixed assets						
Tangible assets	(ix)	4,145	6,279	6,922	11,484	15,070
Investments	(x)	45	64	45	106	94
		4,190	6,343	6,967	11,590	15,164
Current assets						
Stocks	(xi)	3,678	5,896	5,970	6,679	8,727
Debtors	(xii)	4,380	7,497	8,488	9,953	11,622
Cash at bank and in hand		47	21	19	158	22
		8,105	13,414	14,477	16,790	20,371
Creditors: Amounts falling due within one year						
Bank overdraft	(xiii)	(2,335)	(3,156)	(3,167)	(3,642)	(6,042)
Trade creditors		(2,934)	(5,961)	(5,590)	(7,179)	(8,569)
Other creditors	(xiv)	(1,164)	(1,750)	(2,738)	(4,708)	(4,552)
		(6,433)	(10,867)	(11,495)	(15,529)	(19,163)
Net current assets		1,672	2,547	2,982	1,261	1,208
Total assets less current liabilities		5,862	8,890	9,949	12,851	16,372
Creditors: Amounts falling due after more than one year	(xv)	(270)	(486)	(418)	(481)	(402)
Provision for liabilities and charges	(xvi)	(1,225)	(2,232)	(2,582)	(2,701)	(1,422)
		4,367	6,172	6,949	9,669	14,548
Capital and reserves						
Called up share capital	(xvii)	350	350	350	350	350
Reserves	(xviii)	4,017	5,822	6,599	9,319	14,198
		4,367	6,172	6,949	9,669	14,548

4. Consolidated source and application of funds statements

The consolidated source and application of funds statements of Kalon Limited and its subsidiaries for the five years ended 31st December, 1984 are set out below:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Source of funds:					
Profit from ordinary activities before taxation	1,194	1,485	1,394	3,184	2,715
Extraordinary items before taxation	—	(131)	—	(65)	(81)
	1,194	1,354	1,394	3,119	2,634
Adjustments for items not involving the movement of funds					
Depreciation	500	992	1,206	1,432	1,659
(Profit)/loss on sale of tangible fixed assets	(3)	78	16	(16)	42
Exchange adjustment	22	(5)	(4)	7	(7)
Profit on sale of investments	—	—	—	(8)	(2)
Deficit arising in related company	—	—	—	26	6
Funds generated from operations	1,713	2,419	2,612	4,560	4,332
Funds from other sources					
Sale of tangible fixed assets	92	169	194	336	381
Grants received	113	175	2	20	74
Corporation tax received	52	—	—	—	—
Sale of investments	—	—	19	39	92
Total funds generated	1,970	2,763	2,827	4,955	4,879
Application of funds					
Purchase of tangible fixed assets	2,079	2,361	2,057	6,341	3,702
Purchase of subsidiary	—	785	—	—	—
Purchase of investments	45	19	—	133	184
Loans repaid	96	40	40	40	40
Corporation tax paid	—	19	4	1	215
Investment in related company	—	—	—	39	—
	2,220	3,224	2,101	6,554	4,141
Increase/(decrease) in working capital	(250)	(461)	726	(1,599)	738
Comprising:					
Increase/(decrease) in current assets:					
Stocks	167	(254)	74	709	2,048
Debtors	181	1,008	990	1,465	1,669
(Increase)/decrease in current liabilities:					
Creditors excluding taxation and loans	125	(365)	(325)	(3,437)	(442)
Bank overdraft	(723)	(850)	(13)	(336)	(2,537)
	(250)	(461)	726	(1,599)	738

Note to the consolidated source and application of funds statements:—

Summary of the effects of the acquisition of Bestobell Paints and Chemicals Limited and The New Victoria Wallpaper Company Limited in 1981:—

	£000
Net assets acquired:	
Tangible fixed assets	1,183
Stocks	2,472
Debtors	2,109
Bank balances	4
Creditors	(3,525)
Deferred taxation	(401)
Consolidation reserve arising on acquisition	(1,057)
Cash paid	785

5. Accounting policies

The principal accounting policies which have been consistently applied in preparing the financial information set out in this report are as follows:—

(a) Accounting convention

The accounts are prepared under the historical cost convention, as amended by the revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated accounts comprise those of Kalon Limited and its subsidiaries. The results of subsidiaries acquired during a year are included from the date of acquisition. Goodwill or reserves arising are written off or credited to reserves in the year of acquisition.

(c) Turnover

Turnover represents the invoiced value of deliveries excluding value added tax and intra group sales.

(d) Regional Development Grants

Assets which qualify for Regional Development Grants are stated at their net cost, after deduction of grants received.

(e) Depreciation

Depreciation is provided in equal amounts each year in order to write off the cost of fixed assets over their anticipated useful lives. Estimated useful lives are:

Freehold buildings	50 years
Leasehold buildings	40 years
Plant and equipment	3 to 10 years
Motor vehicles	4 and 5 years

Freehold land does not bear depreciation where the original cost of purchase was separately identified.

(f) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

In establishing cost, stocks and work in progress at the end of the year are taken to represent latest purchases or production. On this basis, cost comprises:

Raw materials	Purchase price
Work in progress and finished goods	Raw materials, direct labour and attributable production overheads

Net realisable value is based on estimated selling price after taking into account all further costs expected to be incurred on completion and disposal.

(g) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision is made for deferred taxation to the extent that there is a reasonable probability that a liability will arise in the foreseeable future at the rate likely to be in force when the liability crystallises.

(h) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

(i) Research and development

Research and development expenditure is written off in the year in which it is incurred.

(j) Pensions

Kalon Limited operates a contributory pension scheme to provide retirement benefits for employees based on final salaries. Contributions are charged to the profit and loss account as they are made. Actuarial valuations of current funding requirements are made every three years.

6. Notes to the historical cost accounts

(i) Turnover

The turnover of Kalon Limited and its subsidiaries, split geographically, for the five years ended 31st December, 1984 was:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
United Kingdom	14,762	24,058	32,600	40,458	45,459
Rest of Europe	3,472	4,970	2,646	3,613	3,328
Middle East			3,118	3,839	4,575
	18,234	29,028	38,364	47,910	53,362

(ii) Consequential loss insurance claim

The claim arose following a fire in the previous year and represents the proportion of the claim relating to 1980.

(iii) Operating profit

Operating profit is stated after charging:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Directors' emoluments	180	219	379	417	489
Depreciation	500	992	1,206	1,432	1,659
Auditors' remuneration	21	31	30	30	32
Hire of plant	92	127	34	38	16

(iv) Employees

The average number of people employed by Kalon Limited and its subsidiaries in each of the three years ended 31st December, 1984 was as follows:—

	1982	1983	1984
Production	359	361	384
Sales and distribution	380	397	468
Administration	162	188	197
	901	946	1,049
Costs in respect of these employees:—	£000	£000	£000
Wages and salaries	6,237	6,902	8,383
Social security costs	632	652	724
Pension costs	406	476	607
	7,275	8,030	9,714

(v) Interest payable

Interest payable comprised:—	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Bank overdraft	456	343	444	494	727
Hire purchase	79	106	160	163	153
Debenture	44	37	30	23	15
Other	7	2	—	—	10
Interest relief grant	(59)	—	(46)	—	—
	527	488	588	680	905

(vi) Taxation on profit on ordinary activities

The taxation charge is made up as follows:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
UK corporation tax	—	—	267	226	967
Deferred taxation	567	674	350	934	—
	567	674	617	1,160	967

UK corporation tax payable was calculated at 52 per cent. in 1982, 50.5 per cent. in 1983 and 46.25 per cent. in 1984. The charge for deferred taxation was calculated at 52 per cent. in 1980, 1981 and 1982 and at 35 per cent. in 1983 being the rate at which the liability was expected to crystallise.

The tax charge of Kalon Limited and its subsidiaries reflects the benefit of stock relief available in each year.

(vii) Extraordinary items after taxation

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Losses on guarantees, loans and investments in respect of non-related businesses	—	—	—	(65)	(84)
Redundancy and closure costs	—	(131)	—	—	—
Loss on oil exploration partnership	—	—	—	(54)	(61)
Write-off of excess cost of fixed assets	—	—	—	—	(36)
	—	(131)	—	(119)	(181)
Tax on extraordinary items	—	68	—	—	—
Deferred taxation (see notes below)	1,127	—	—	815	1,279
	1,127	(63)	—	696	1,098

Notes:—

1. The release of deferred taxation in 1980 of £1,127,000 was in respect of stock relief.

2. The release of deferred taxation of £815,000 in 1983 arose as a result of the provision being made principally at 35 per cent. instead of 52 per cent. previously in force, as a consequence of the changes in the Finance Act 1984.

3. In 1984 the Directors re-assessed the deferred taxation provision required to meet future foreseeable tax liabilities and as a consequence £1,279,000 was released.

(viii) Earnings per share

Earnings per share are based on the profit for the year after taxation but before extraordinary items and on the assumption that 91.5 million Ordinary shares of 15p each in Kalon Group PLC are to be issued to the holders of 350,000 Ordinary shares of £1 each in Kalon Limited, which have been in issue throughout the period.

(ix) Tangible fixed assets

At 31st December, 1984:—	Cost or valuation £000	Depreciation £000	Net book value £000
Freehold property	7,806	277	7,529
Leasehold property	232	38	194
Plant and equipment	10,038	4,313	5,525
Motor vehicles	3,358	1,536	1,822
	21,434	6,364	15,070

The freehold property at Birstall, West Yorkshire was valued at 31st December, 1984 by Messrs. Simon Houlston and Partners, Chartered Surveyors, assuming open market value for existing use and vacant possession, at £5,230,000. The remaining freehold properties, having a book value of £2,299,000, have not been valued. In the opinion of the Directors of Kalon Limited, the book value would not be materially different from market value.

(x) Investments

	£000	£000
At 31st December, 1984:—		
Listed investments at cost (market value £81,000)		81
Related company:		
Shares at cost	39	
Less: share of accumulated losses	(31)	8
Unlisted investment		5
		94

The related company is Summit Chemicals Limited, a company incorporated in the Republic of Ireland, of which Kalon Limited owns 50 per cent. of the issued share capital.

(xi) Stocks

At 31st December, 1984:—	£000
Raw materials	4,512
Finished goods	4,215
	8,727

(xii) Debtors

At 31st December, 1984:—	£000
Trade debtors	10,251
Other debtors	275
Prepayments	337
Related company	643
Advances to directors (since repaid)	116
	11,622

All the above amounts fall due within one year.

(xiii) Bank overdraft

The bank overdraft is secured by a fixed charge on certain freehold property of Kalon Limited.

(xiv) Other creditors

At 31st December, 1984:—	£000
Hire purchase	812
Corporation tax	1,262
Other taxes and social security	987
Other creditors	967
Accruals	484
Debenture	40
	4,552

(xv) Creditors: Amounts falling due after more than one year

At 31st December, 1984:—	£000
Between two and five years:	
Debenture	25
Hire purchase	377
	402

The debenture is secured by a fixed charge on certain freehold property of Kalon Limited.

(xvi) Provision for liabilities and charges

Deferred taxation at 31st December, 1984 calculated at the rate of 35 per cent. (being the rate at which the liability is expected to crystallise):—

	£000
Accelerated capital allowances	1,416
Other timing differences	6
	1,422

Had provision been made for deferred taxation on all timing differences the liability would have been as follows:—

	£000
Accelerated capital allowances	2,914
Other timing differences	6
Capital gains tax rolled over	140
Capital gains tax on revaluation of property	610
	3,670

(xvii) Called up share capital

At 31st December, 1984:—	£000
Authorised	
500,000 Ordinary shares of £1 each	500
Allotted, called up and fully paid	
350,000 Ordinary shares of £1 each	350

(xviii) Reserves

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Balance at start of year	2,263	4,017	5,822	6,599	9,319
Reserves arising on acquisition of subsidiaries	—	1,057	—	—	—
Retained profit	1,754	748	777	2,720	2,846
Surplus arising on revaluation of freehold property	—	—	—	—	2,033
Balance at end of year	4,017	5,822	6,599	9,319	14,198

(xix) Commitments

At 31st December, 1984:—	£000
a) Future capital expenditure	
Contracted for but not provided in accounts	275
Authorised but not contracted for	50

b) Pensions

The trust deed of the fund requires actuarial valuations to be made at least every three years. Preliminary results of the valuation made as at 5th April, 1985 indicate that the assets will, on the actuarial assumptions made, be sufficient to provide the benefits specified in the rules.

(xx) Contingent liabilities

At 31st December, 1984:—

a) Guarantees given by Kalon Limited in respect of the bank borrowings and a bill discounting facility of the Spanish subsidiary, Smyth-Morris S.A., amounted to a maximum of £500,000.

b) Smyth-Morris S.A. had discounted bills from customers amounting to £250,000.

(xxi) Subsidiary companies

The following companies are wholly owned subsidiaries of Kalon Limited and are incorporated in Great Britain, unless otherwise stated:—

Trading

Smyth-Morris S.A. (incorporated in Spain)—20% of the share capital has been sold since 31st December, 1984

Non-trading

Allen Walters & Company Limited
Always Transport Limited
Carson Hadfields Limited
Decorative Paints (London) Limited
Kirklees Chemicals Limited
Leeds Paint Manufacturing Company Limited
The New Victoria Wallpaper Company Limited
S.P.L. (Ireland) Limited (incorporated in the Republic of Ireland)
Silver Paint and Lacquer Company Limited
Smith-Butler Chemicals Limited
Smyth-Morris (Chemicals) Limited
E. Wade Wilton & Son Limited

CURRENT COST ACCOUNTS

7. (i) Consolidated profit and loss accounts

The consolidated current cost profit and loss accounts for Kalon Limited and its subsidiaries for the two years ended 31st December, 1984 are set out below:—

	Note	1983 £000	1984 £000
Turnover		47,910	53,362
Operating profit		3,890	3,626
Current cost adjustments	8 (ii)	(597)	(487)
		3,293	3,139
Share of loss of related company		(26)	(6)
Interest payable		(680)	(905)
Gearing adjustment		233	161
Profit before taxation		2,820	2,389
Taxation charge		(1,160)	(967)
Profit attributable to shareholders		1,660	1,422
Extraordinary items		696	1,098
Retained profit		2,356	2,520
Earnings per share		1.8p	1.6p

(ii) Consolidated balance sheet

The consolidated current cost balansheet of Kalon Limited and its subsidiaries as at 31st December, 1984 is set out below:—

	Note	£000
Fixed assets	8 (iii)	16,098
Investments		94
Working capital		
Stocks		8,789
Debtors		11,645
		20,434
Less: creditors		19,164
Net current assets		1,270
Net operating assets		17,462
Hire purchase and debentures		(402)
Deferred taxation		(1,422)
		15,638
Capital and reserves		
Share capital		350
Current cost reserve	8 (iv)	3,813
Profit and loss account		11,475
		15,638

8. Notes to the curren cost accounts

(i) Basis of accounting

(a) Basis of preparation

The current cost a unts in paragraph 7 above have been prepared in accordance with the principles set out in Statement of Standard ccounting Practice No. 16. The current cost adjustments have been calculated by reference to specific indices co piled by the Central Statistical Office. The following notes state in general how these principles have been plied.

(b) Stocks and cost sales

Stocks have be included at their value to the business and the cost of sales adjustment has been calculated on the averaging met d.

(c) Monetary w ing capital

The adjust nt in respect of monetary working capital has been calculated on the averaging method using the specific indices plied to stocks and represents the impact of price changes on the monetary working capital of Kalon Limited nd its subsidiaries.

(d) Fixed ass and depreciation

(i) Fix assets are included in the balance sheet at their value to the business which is based on historical cost or luation adjusted to net current value.

(ii) T depreciation adjustment represents the difference between the charge in the historical and current c t accounts. A revision of the estimated useful lives of freehold and leasehold property and plant and chinery has been made in the current cost accounts only.

(e) Gearin

The g ring adjustment represents the proportion of the current cost adjustment financed by sources of capital other than archolders' funds.

(ii) Curre t cost adjustments

	1983 £000	1984 £000
Adjustm ts to operating profit:—		
Depreciaton	222	130
Profit o sale of assets	30	51
	252	181
Cost of ales	383	390
Monet ry working capital	(38)	(84)
	597	487

(iii) Fixed assets

	Gross current cost £000	Accumulated depreciation £000	Net current cost £000
Land and buildings	8,331	506	7,825
Plant, machinery and equipment	17,426	9,153	8,273
	25,757	9,659	16,098

(iv) Current c t reserve

	1983 £000	1984 £000
Balance 1st January	736	2,725
Movement in the year		
Unrealised re aluation surplus		
—Fixed asset	1,627	745
—Stocks	(2)	17
Current cost adjustments	597	487
Gearing adj tment	(233)	(161)
	1,989	1,088
Balance at 1st December	2,725	3,813
Comprising: Unrealised	2,361	3,123
Realised	364	690
	2,725	3,813

You faithfully,

ROBSON RHODES
Chartered Accountants

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

PART V

Accountants' report on Leyland

The following is a copy of a report on Ley d by Peat, Marwick, Mitchell & Co., Chartered Accountants, and Robson Rhodes, Chartered Accountants, the Directors of Leyland, the Directors of County Bank and the Directors of Warburgs.

Peat, Marwick, Mitchell & Co.
Unicentre
Lords Walk
Preston
PR1 1LQ

Robson Rhodes
186 City Road
London
EC1V 2NU

18th June, 1985

The Directors,
Leyland Paint & Wallpaper p.l.c.

The Directors,
County Bank Limited

The Directors,
S. G. Warburg & Co. Ltd.

Gentlemen,

Leyland Paint & Wallpaper p

1. Introduction

We have examined the ited accounts of Leyland Paint & Wallpaper p.l.c. ("Leyland") and the audited consolidated accounts of Ley d and its subsidiary companies (together referred to as the "Leyland Group") for the five years ended 31st De ber, 1984.

Peat, Marwick, Mitc & Co. have been auditors of Leyland throughout the relevant period.

The summarised his cal cost profit and loss accounts, balance sheets and source and application of funds statements set out below based on the audited accounts after making such adjustments and apportionments as we consider appropriate. our opinion these summaries, together with the notes thereon, give a true and fair view of the results and source application of funds of the Leyland Group for the five years ended 31st December, 1984 and of the state of affai the Leyland Group at that date.

The summarised rent cost accounts set out below for the two years ended 31st December, 1984 have, in our opinion, been proper repared in accordance with the accounting policies and methods described below to give the prescribed infor on in accordance with Statement of Standard Accounting Practice No. 16.

No audited ac nts of any of the companies in the Leyland Group have been prepared for any period subsequent to 31st cember, 1984.

HISTORICAL C T ACCOUNTS

2. Consolidate rofit and loss accounts

The profit a loss accounts of the Leyland Group for the five years to 31st December, 1984 are set out below. These results ar it to show the amounts attributable to continuing operations and the amounts attributable to those parts of th tail and wallcovering operations no longer carried on.

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Continuing rations						
Turnover	(i)	14,389	15,735	16,951	17,096	15,896
Cost of sales		(8,599)	(9,708)	(10,414)	(10,894)	(10,405)
Gross profi		5,790	6,027	6,537	6,202	5,491
Distributio osts		(2,759)	(3,191)	(3,834)	(3,745)	(3,724)
Administr e expenses		(1,668)	(2,087)	(2,413)	(2,570)	(1,910)
Sundry in ne		59	26	78	172	143
Operatin rofit		1,422	775	368	59	—
Share of fits of related compan		—	—	30	24	10
Interest vable and similar charges		(221)	(179)	(269)	(285)	(260)
Profit ss) on ordinary activi before taxation	(ii)	1,201	596	129	(202)	(250)

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Discontinued operations						
Turnover	(i)	24,461	23,871	22,531	15,790	7,053
Cost of sales		(16,566)	(15,240)	(16,529)	(11,846)	(5,549)
Gross profit		7,895	8,631	6,002	3,944	1,504
Distribution costs		(4,818)	(5,928)	(6,101)	(3,882)	(1,140)
Administrative expenses		(3,268)	(2,408)	(2,378)	(964)	(288)
Sundry income		91	48	22	9	113
Operating profit/(loss)		(100)	343	(2,455)	(893)	189
Share of profits of related companies		—	—	23	274	443
Interest payable and similar charges		(675)	(517)	(685)	(490)	(356)
Profit/(loss) on ordinary activities before taxation	(ii)	(775)	(174)	(3,117)	(1,109)	276
Total						
Turnover	(i)	38,850	39,606	39,482	32,886	22,949
Profit/(loss) on ordinary activities before taxation	(ii)	426	422	(2,988)	(1,311)	26
Taxation on profit/(loss) on ordinary activities	(v)	(683)	(74)	(190)	120	(66)
Profit/(loss) on ordinary activities after taxation		(257)	348	(3,178)	(1,191)	(40)
Extraordinary items after taxation	(vi)	983	208	42	(1,596)	(2,122)
		726	556	(3,136)	(2,787)	(2,162)
Ordinary dividend		(159)	(238)	—	—	—
Retained profit/(loss) for year		567	318	(3,136)	(2,787)	(2,162)
Earnings/(losses) per share	(vii)	(1.6p)	2.2p	(20.0p)	(7.5p)	(0.2p)

3. Consolidated balance sheets

The consolidated balance sheets of the Leyland Group at 31st December, 1980 to 1984 are set out below:

	Note	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Fixed assets						
Tangible assets	(viii)	6,822	6,578	7,235	5,198	2,931
Investments	(ix)	83	132	426	521	91
		6,905	6,710	7,661	5,719	3,022
Current assets						
Stocks	(x)	8,143	8,536	8,370	5,152	3,137
Investments	(xi)	—	190	190	190	690
Debtors	(xii)	4,127	5,785	5,617	5,871	8,220
Cash at bank and in hand		126	102	107	31	30
		12,396	14,613	14,284	11,244	12,077
Creditors: amounts falling due within one year						
Bank overdraft	(xiii)	1,026	1,315	3,207	4,051	4,458
Other loans		666	750	750	—	656
Creditors and accruals	(xiv)	5,940	7,468	8,029	6,454	5,261
Corporation tax		—	94	—	54	54
Proposed dividend		159	119	—	—	—
		7,791	9,746	11,986	10,559	10,429
Net current assets		4,605	4,867	2,298	685	1,648
Total assets less current liabilities		11,510	11,577	9,959	6,404	4,670
Creditors: amounts falling due after more than one year						
Term loan		(1,449)	(1,128)	(1,417)	(1,010)	—
Corporation tax		—	(180)	(105)	—	—
Other creditors		(434)	(137)	(85)	(19)	—
		(1,883)	(1,445)	(1,607)	(1,029)	—
Provision for liabilities and charges	(xv)	(64)	20	(292)	(102)	(29)
		9,563	10,152	8,060	5,273	4,641
Capital and reserves						
Share capital	(xvi)	3,971	3,971	3,971	3,971	3,800
Share premium account	(xvii)	—	—	—	—	112
Revaluation reserve	(xvii)	1,517	1,788	2,832	2,832	2,116
Capital reserves	(xvii)	730	1,074	1,278	1,498	3,107
Profit and loss account	(xvii)	3,345	3,319	(21)	(3,028)	(4,494)
		9,563	10,152	8,060	5,273	4,641

4. Consolidated source and application of funds statements

The consolidated source and application of funds statements of the Leyland Group for the five years ended 31st December, 1984 are set out below:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Source of funds					
Profit/(loss) from ordinary activities before taxation	426	422	(2,988)	(1,311)	26
Extraordinary items before taxation	(20)	373	54	(1,596)	(2,122)
	406	795	(2,934)	(2,907)	(2,096)
Adjustments for items not involving the movement of funds					
Depreciation	1,623	1,402	1,208	1,024	750
(Profit)/loss arising on disposal of tangible fixed assets	(15)	(407)	(133)	62	(12)
Share of profits of related companies	—	—	(53)	(298)	(448)
(Profit)/loss arising on disposal of related companies	25	—	—	(41)	(934)
Funds generated from operations	2,039	1,790	(1,912)	(2,160)	(2,740)
Funds from other sources					
Issue of share capital less costs	—	—	—	—	1,530
Disposal of tangible fixed assets	124	853	621	1,367	2,206
Additional loan capital	500	250	289	—	—
Disposal of related companies	—	—	—	123	1,673
Total funds generated	2,663	2,893	(1,002)	(670)	2,669
Application of funds					
Purchase of tangible fixed assets	1,518	1,333	1,283	416	677
Corporation tax paid	157	49	58	—	—
Dividends paid	318	278	119	—	—
Acquisition of subsidiary	445	—	—	—	—
Investment in related companies	—	239	241	—	—
Loan repaid	10	487	—	1,157	354
Hire purchase commitments repaid	—	423	296	58	60
	2,448	2,809	1,997	1,631	1,091
	215	84	(2,999)	(2,301)	1,578
Increase/(decrease) in working capital comprising:					
Increase/(decrease) in net current assets:					
Stocks	(507)	393	(166)	(3,218)	(2,015)
Debtors	(485)	1,658	(168)	254	2,349
Creditors falling due within one year	2,006	(1,654)	(778)	1,583	1,152
Investments	—	—	—	—	500
	1,014	397	(1,112)	(1,381)	1,986
Movement in net liquid funds					
Cash at bank and in hand	(60)	(24)	5	(76)	(1)
Bank overdraft	(739)	(289)	(1,892)	(844)	(407)
	215	84	(2,999)	(2,301)	1,578

5. Accounting policies

The principal accounting policies which have been consistently applied in preparing the financial information set out in this report are as follows:—

(a) Accounting convention

The accounts have been prepared under the historical cost convention as amended by the revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated accounts comprise those of Leyland and its subsidiaries all of which were wholly owned throughout the five year period, together with the attributable results of related companies.

(c) Turnover

Turnover represents sales to third parties excluding value added tax, trade discounts and intra-group sales.

(d) Depreciation

Depreciation is charged on a straight line basis, after taking account of government grants receivable, on the original cost or subsequent valuation of assets (excluding land) by reference to the estimated remaining life of the assets and is calculated on the following bases:

Freehold and long leasehold buildings	By reference to the estimated remaining life of the properties, currently ranging from 1 year to 54 years.
Short leasehold buildings	By reference to the unexpired portion of the lease.
Plant and machinery	10 per cent. per annum.
Fixtures and fittings	10 per cent.—25 per cent. per annum.
Motor vehicles	25 per cent. per annum.
Printing rollers	By reference to the unexpired working life.

(e) Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of work in progress and finished goods includes a proportion of attributable overhead expenses.

(f) Deferred taxation

Deferred taxation is provided on all timing differences which, in the opinion of the directors, may give rise to a liability in the foreseeable future. The provision is calculated on the liability method at the corporation tax rates ruling at the date the liability is expected to crystallise. Advance corporation tax on dividends is carried forward to the extent it can be recovered. Any amount in excess of this is written off as part of the taxation charge.

(g) Research and development

Expenditure on research and development, patents and trademarks is written off as incurred.

(h) Hire purchase transactions

Fixed assets acquired by hire purchase are included in the accounts at cost and the capital portion outstanding is included in creditors. The hire purchase interest charges are written off in the profit and loss account as incurred over the contract period.

(i) Hire of plant, machinery and equipment

Amounts payable under operating leases are charged to profit and loss account in the periods to which the payments relate.

(j) Foreign currencies

Investments in overseas related companies are converted to sterling in the accounts at the rate prevailing at the date of investment. The results of these companies are converted to sterling at the average rate for the financial year.

(k) Pensions

The Leyland Group operates a contributory pension scheme to provide retirement benefits based on final salaries for the majority of its permanent employees. The scheme funds are administered by trustees and are independent of the Leyland Group's finances. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries.

6. Notes to the historical cost accounts

(i) Turnover

The Leyland Group turnover, split geographically, for the five years ended 31st December, 1984 was:

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Continuing operations					
United Kingdom	13,236	14,166	14,993	14,811	13,692
Rest of Europe			245	185	95
Middle East	1,153	1,569	1,713	2,100	2,104
Others			—	—	5
	14,389	15,735	16,951	17,096	15,896
Discontinued operations					
United Kingdom	21,278	20,469	18,172	11,237	4,562
Rest of Europe			3,305	2,492	1,511
America and Canada			395	1,160	828
Middle East	3,183	3,402	659	607	68
Others			—	294	84
	24,461	23,871	22,531	15,790	7,053

(ii) Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging (crediting) —

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Continuing operations					
Depreciation	331	339	376	[illegible]	[illegible]
Hire of plant and equipment	80	45	35	17	28
Directors' emoluments	249	120	[illegible]	115	127
Auditors' remuneration	12	13	12	13	13
Sale of know-how	—	—	—	[illegible]	(110)
Discontinued operations					
Depreciation	1,292	1,063	832	[illegible]	[illegible]
Hire of plant and equipment	75	68	24	11	4
Directors' emoluments	113	78	102	180	52
Auditors' remuneration	23	25	23	17	15

(iii) Employees

The average number of people employed by the Leyland Group in the three years ended 31st December, 1984 was as follows:—

	1982	1983	1984
Management	26	20	17
Administration	83	50	30
Production and sales staff	1,367	877	697
	1,476	947	744

Costs in respect of these employees:

	1982 £000	1983 £000	1984 £000
Wages and salaries	7,132	6,095	5,081
Social security costs	635	606	665
Other pension costs	440	497	159
	8,207	7,198	5,905

(iv) Interest payable

Interest payable comprised:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Bank overdraft	310	260	370	440	425
Term loan	275	165	129	132	78
Credit factoring	164	125	212	140	108
Acceptance credits	—	—	182	47	—
Convertible loan	13	10	—	—	—
Hire purchase	134	136	61	16	5
	896	696	954	775	616

(v) Taxation on profit/(loss) on ordinary activities

The taxation charge is made up as follows:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
UK corporation tax	(16)	55	(128)	—	—
Related companies	—	—	—	121	126
Deferred taxation	421	(97)	63	(241)	(60)
Advance corporation tax written off	278	116	255	—	—
	683	74	190	(120)	66

(vi) Extraordinary items after taxation

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Rationalisation/redundancy costs	—	(167)	(111)	(1,058)	(108)
Profit on sale of properties	5	540	165	159	96
Profit/(loss) on disposal of related companies	(25)	—	—	41	934
Unused property costs	—	—	—	(214)	(342)
Losses on disposal of retail interests	—	—	—	(545)	(133)
Losses on disposal of wallcovering interests	—	—	—	—	(2,569)
	(20)	373	54	(1,596)	(2,122)
Tax on extraordinary items	(14)	(165)	(12)	—	—
Release of deferred tax provision in respect of stock relief	1,017	—	—	—	—
	983	208	42	(1,596)	(2,122)

The charges in 1984 include £130,000 in respect of depreciation.

(vii) Earnings/(losses) per share

The earnings/(losses) per share are based on the profits/(losses) after taxation, but before extraordinary items, and on 15,885,930 Ordinary shares of 25p in issue throughout 1980 to 1983 and on an average of 21,398,430 Ordinary shares of 15p each in issue in 1984.

(viii) Tangible fixed assets

At 31st December, 1984:—

	Cost or valuation £000	Depreciation £000	Net book value £000
Freehold land and buildings	1,561	72	1,489
Long leasehold land and buildings	116	7	109
Short leasehold land and buildings	61	23	38
Plant, machinery, fixtures and motor vehicles	2,322	1,027	1,295
	4,060	1,129	2,931

The Leyland Group's freehold and leasehold premises were valued during 1978 by Airey Entwistle & Company, Surveyors and Valuers, and further revalued on 31st December, 1982 by Airey Entwistle & Company in respect of the factory and warehouse premises and by J. Trevor & Sons, Surveyors and Valuers, in respect of certain freehold and leasehold properties utilised as retail and trade outlets, assuming open market value for existing use and vacant possession on all properties at an aggregate of £1,707,000. Certain items of plant and machinery utilised in paint production were also revalued at that date by G. F. Singleton & Company, Surveyors and Valuers, to an amount of £918,000. These revaluations, which are incorporated in the Leyland's accounts, resulted in a surplus over cost which was taken to revaluation reserve.

(ix) Investments

At 31st December, 1984 the Leyland Group had the following investment in a related company, MRCB (Paints and Wallcoverings) Limited ("MRCB"), a company registered in Northern Ireland. The results included are for the year ended 31st October.

	£000
Ordinary shares at cost (49 per cent. of the issued share capital)	49
Share of post-acquisition profits	42
	91

(x) Stocks

At 31st December, 1984:—	£000
Raw materials	664
Work in progress	121
Finished goods	2,314
Other	38
	3,137

(xi) Investments held as current assets

At 31st December, 1984, the Company held 6.67 per cent of the shares to the value of £500,000 in William Morris Fine Arts Public Limited Company, a company quoted on the Unlisted Securities Market. The investment has been disposed of for a net consideration of £554,000 since the year end. At 31st December, 1984 date Leyland also held £190,000 of debenture stock in a related company, MRCB.

(xii) Debtors

At 31st December, 1984:—	£000
Trade debtors	3,838
Amounts owed by related companies	90
Other debtors	4,141
Prepayments and accrued income	151
	8,220

All the above fall due within one year.

Other debtors includes an amount of £2,081,000 in respect of the disposal of Leyland's wallcovering interests and £1,673,000 in respect of the disposal of the investment in Berkley Walkoverings Inc. These amounts were received on 15th January, 1985.

(xiii) Bank overdraft

The bank overdraft is secured by:—

a) a legal mortgage creating fixed charges over certain freehold and leasehold properties of the Leyland Group,

b) mortgage debentures in respect of specific charges over the current assets of the Leyland Group, and

c) a floating charge over all other assets.

(xiv) Creditors falling due within one year

At 31st December, 1984:—	£000
Trade creditors	4,201
Accruals and deferred income	437
Hire purchase commitments	19
Other creditors	327
Other taxes	134
Social security	143
	5,261

(xv) Provision for liabilities and charges

Deferred taxation at 31st December, 1984:—	£000
Capital allowances	475
Other timing differences	(1)
Capital gains tax deferred	30
Losses carried forward	(475)
	29

The potential liability to deferred taxation calculated on the liability method is set out below:

	£000
Capital allowances	475
Capital gains tax deferred	38
Chargeable gain which could arise on the disposal of land and buildings at their revalued amounts	420
Losses carried forward	(779)
Advance corporation tax recoverable	(154)
	—

(xvi) Share capital

At 31st December, 1984:—	£000
Authorised	
27,450,000 Ordinary shares of 15p each	4,118
Allotted, called up and fully paid	
25,335,930 Ordinary shares of 15p each	3,800

(xvii) Reserves

	1980	1981	1982	1983	1984
	£000	£000	£000	£000	£000
Balance at start of year	5,318	5,592	6,181	4,089	1,302
Retained profit/(loss)	567	318	(3,136)	(2,787)	(2,162)
Revaluation surplus	—	271	1,044	—	—
Goodwill written off	(293)	—	—	—	—
Capital reduction	—	—	—	—	1,589
Share premium, less costs of issue	—	—	—	—	112
Balance at end of year	5,592	6,181	4,089	1,302	841

Analysed at 31st December, 1984:—	£000
Available for distribution	(1,569)
Not available for distribution	2,039
	470
Post acquisition reserves of subsidiary companies	307
Post acquisition reserves of related companies	64
	841

(xviii) Commitments

(a) Capital commitments as at 31st December, 1984 for which no provision has been made in the accounts are as follows:—

	£000
Contracted	68
Authorised but not contracted	275

(b) Pensions

Following a financial review of the assets of the fund by independent actuaries as at 17th December, 1984, it was confirmed that no contributions to the fund would be made by Leyland for a period from 23rd April, 1984 because of the surplus of funds revealed by the review. The position will be reviewed at 22nd April, 1986, the date of the next actuarial valuation.

(xix) Contingent liabilities

At 31st December, 1984 there were contingent liabilities in respect of guarantees given by Leyland of £13,000. In addition, the liability arising should the Leyland Group terminate all leases on properties currently unutilised amounts to £814,000.

(xx) Subsidiary companies

The following wholly owned subsidiaries of Leyland at 31st December, 1984 are incorporated in England except where otherwise noted and are non-trading:—

Leyland Coatings Limited
Leyland Paragon Limited
Warrington Colourway Limited
Beckwith and Webster Limited
Blaskeys (Wallpapers) Limited
John Matthews & Co. Limited
Ideas for Decorating Limited
Regency Paints Limited (Incorporated in Scotland)
Wm. Paton Jr. (Wallpapers) Limited (Incorporated in Scotland)

John Matthews & Co. Limited owns the whole of the share capital of Kenrick Jones & Co. Limited, a company incorporated in England.

CURRENT COST ACCOUNTS

7. (i) Consolidated profit and loss accounts

The consolidated current cost profit and loss accounts of the Leyland Group for the two years ended 31st December, 1984 are set out below:—

	Note	1983	1984
		£000	£000
Turnover		32,886	22,949
Operating (loss)/profit		(336)	642
Current cost adjustments	8(ii)(a)	(579)	(405)
		(1,415)	237
Interest payable		(775)	(616)
Gearing adjustment		382	196
Loss before taxation		(1,808)	(183)
Taxation charge		120	(66)
Loss attributable to shareholders		(1,688)	(249)
Extraordinary items	8(ii)(b)	(1,673)	(2,223)
Transfer to capital reserve		(204)	(20)
Retained loss		(3,565)	(2,492)
Loss per share		(10.6p)	(1.2p)

(ii) Consolidated balance sheet

The consolidated current cost balance sheet of the Leyland Group as at 31st December, 1984 is set out below:—

	Note	£000
Fixed assets	8(iii)	3,495
Investments		781
Working capital		
Stocks		3,170
Debtors		4,466
		7,636
Less: creditors		5,242
Net current assets		2,394
Net operating assets		6,670
Net current liabilities		(747)
Loan capital		(656)
Deferred taxation		(29)
		5,238
Capital and reserves		
Share capital		3,800
Share premium		112
Capital reserve		5,223
Current cost reserve	8(iv)	4,672
Profit and loss account		(8,569)
		5,238

8. Notes to the current cost accounts

(i) Basis of accounting

(a) Basis of preparation

The current cost accounts in paragraph 7 above have been prepared in accordance with the principles set out in Statement of Standard Accounting Practice No. 16. The current cost adjustments have been calculated by reference to specific indices compiled by the Central Statistical Office. The following notes state in general how these principles have been applied.

(b) Stocks and cost of sales

Stocks have been included at their value to the business and the cost of sales adjustment has been calculated on the averaging method.

(c) Monetary working capital

The adjustment in respect of monetary working capital has been calculated on the averaging method using the specific indices applied to stocks and represents the impact of price changes on the monetary working capital of the Leyland Group.

(d) Fixed assets and depreciation

(i) Fixed assets are included in the balance sheet at their value to the business which is based on historical cost or valuation adjusted to net current value.

(ii) The depreciation adjustment represents the difference between the charge in the historical and current cost accounts. A revision of the estimated useful lives of freehold and leasehold property and plant and machinery has been made in the current cost accounts only.

(e) Gearing

The gearing adjustment represents the proportion of the current cost adjustment financed by sources of capital other than shareholders' funds.

(ii) Current cost adjustments

	1983	1984
	£000	£000
(a) Adjustments to operating profit:		
Depreciation	167	119
Profit on sale of assets	379	41
	546	160
Cost of sales	411	272
Monetary working capital	(78)	(27)
	879	405
(b) Adjustments to extraordinary items:		
Extraordinary items per historical cost accounts	1,596	2,122
Disposal adjustments	136	195
Less: attributable gearing	(59)	(94)
	1,673	2,223

(iii) Fixed assets

	Gross current cost	Accumulated depreciation	Net current cost
	£000	£000	£000
Land and buildings	1,902	180	1,722
Plant, machinery and equipment	6,028	4,255	1,773
	7,930	4,435	3,495

(iv) Current cost reserve

	1983	1984
	£000	£000
Balance 1st January	3,844	4,148
Movement in the year		
Unrealised revaluation surplus		
—Fixed assets	(242)	209
—Stocks	(28)	5
Current cost adjustments		
—Operating	879	405
—Extraordinary items	136	195
Gearing adjustment	(441)	(290)
	304	524
Balance at 31st December	4,148	4,672
Comprising: Unrealised	367	581
Realised	3,781	4,091
	4,148	4,672

Yours faithfully,

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

ROBSON RHODES
Chartered Accountants

PART VI

Additional information

1. Incorporation and share capital

(a) The Company was incorporated in England under the Companies Acts 1908 to 1917 on 11th October, 1922 (with registered number 184940) as Leyland Paint & Varnish Company Limited. On 20th March, 1962 the name of the Company was changed to Leyland Paints Limited and on 7th May, 1971 the Company's name was changed to Leyland Paint & Wallpaper Limited. On 27th July, 1981 the Company was re-registered as a public limited company as Leyland Paint & Wallpaper p.l.c. On 18th June, 1985 the Company's name was changed to Kalon Group PLC.

(b) The Company is the holding company of a group of companies engaged, inter alia, in the manufacture of paint, surface coatings and chemical products.

(c) On 24th April, 1984:

(i) the authorised share capital of the Company was increased from £4,500,000 to £5,917,500 by the creation of 9,450,000 ordinary shares of 15p each ranking pari passu in all respects with the existing ordinary shares of 25p each;

(ii) 9,450,000 Ordinary shares of 15p each were issued for cash to institutional investors at 18p per share;

(iii) the authorised share capital was reduced from £5,917,500 to £4,117,500 (divided into 27,450,000 Ordinary shares of 15p each) by cancelling the paid up share capital to the extent of 10p on each of the issued ordinary shares of 25p and reducing the nominal value of all the ordinary shares of 25p each, whether issued or unissued, to 15p.

(d) On 17th June, 1985 the authorised share capital was increased from £4,117,500 to £23,250,000 by the creation of 127,550,000 Ordinary shares of 15p each and 91,500,000 Ordinary shares were issued credited as fully paid in consideration for the acquisition of Kalon.

(e) On 17th June, 1985 the Board was authorised:

(i) until 16th June, 1990, to exercise the Company's power to allot relevant securities of the Company up to an aggregate nominal amount of £19,332,530.85;

(ii) until the Annual General Meeting of the Company to be held in 1986, in connection with a rights issue to make such arrangements as the Board may deem necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise;

(iii) until the Annual General Meeting of the Company to be held in 1986, to allot equity securities pursuant to the terms of any share scheme for employees; and

(iv) until the Annual General Meeting of the Company to be held in 1986, (and otherwise than pursuant to (ii) and (iii) above) to allot equity securities for cash to any person up to an aggregate nominal of £1,162,500, being an amount equal to 5 per cent. of the aggregate of the nominal amount of the Company's unissued share capital and its issued equity share capital.

(f) As at 18th June, 1985 607,038 Ordinary shares were reserved for the purposes of the share schemes described in paragraph 5 below. Options over Ordinary shares which remain exercisable are as follows:

(i) Leyland Paint & Wallpaper p.l.c. Share Option Scheme

Date of grant	Number of executives to whom options granted	Aggregate number of Ordinary shares over which options have been granted	Subscription price of options
17th July, 1984	8	350,000	25p
27th June, 1983	1	20,000	25p
27th May, 1982	1	20,000	37p
27th May, 1981	1	20,000	35p

In addition, four employees have exercised options under this scheme over a total of 130,000 Ordinary shares at 25p per share, all in the last six months.

(ii) Savings Related Share Option Scheme

Date of grant	Number of employees to whom options granted	Aggregate number of Ordinary shares over which options have been granted	Subscription price of options
31st October, 1984	12	43,164	25p
18th August, 1983	8	30,714	25p
16th July, 1982	24	123,160	26p

In addition, one employee has exercised options in January 1985 under this scheme over 2,353 Ordinary shares at 25p per share and over 1,140 Ordinary shares at 26p per share.

(g) Save as disclosed herein, in the three years immediately preceding the date of this document no share of the Company or any subsidiary has been issued for cash or other consideration and no discounts or other special terms have been granted by the Company or any subsidiary in connection with the issue or sale of any such capital.

(h) Following the merger, 38,030,577 Ordinary shares will remain unissued of which an aggregate of 607,038 are reserved under the share schemes described in paragraph 5 below. Save for such shares, no material issue of shares (other than to shareholders pro rata to their shareholdings) will be made by the Company within one year of the date of this document without prior approval of the Company in general meeting.

(i) Save as mentioned above and in connection with the share schemes, no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.

(j) The provisions of section 17(1) of the Companies Act 1980 (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the balance of the authorised but unissued share capital of the Company which is not the subject of the disapplication referred to in paragraph 1(e)(ii)-(iv) (inclusive) above.

2. Memorandum and Articles of Association

The Company's principal objects as set out in Clause 4 of its Mem andum of Association are, inter alia, to carry on the business of manufacturers of and dealers in paints, wall ers, wall decorations and decor ors' materials.

The Articles of Association of the Company contain, inter alia, prov ons to the following effect:—

(a) Variation of rights and alteration of share capital

(i) The rights attached to any class of shares in the Company may be odified, abrogated or varied in such manner as may be provided by such rights or with the consent in iting of the holders of not less than three-fourths in nominal value of the issued shares of that class, or h the sanction of an extraordinary resolution passed at a separate general meeting of the holders of th ares of that class.

(ii) The Company may by ordinary resolution increase its share capital, co olidate all or any of its shares into shares of larger amount, sub-divide its shares into shares of smaller ount and cancel any shares not taken or agreed to be taken by any person.

(iii) The Company may, subject to the provisions of the Companies Acts 19 to 1983, by special resolution reduce its share capital, any capital redemption reserve and any share p mium account.

(b) Transfer of shares

The Ordinary shares of the Company are in registered form. The instrument ransfer of a share may be in any usual form or in any other form which the Directors may approve, and shall executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee he Directors may, in their absolute discretion and without giving any reasons, refuse to register the transfer a share which is not fully paid. The Articles contain no restrictions on the free transferability of fully paid dinary shares, provided that transfers are in favour of not more than four transferees, are in respect of only e class of share and are accompanied by the certificate of the shares to be transferred and such other eviden of title and authority to transfer as the Directors may reasonably require.

(c) Voting

On a show of hands every member present in person or (being a corporation) prese by a duly authorised representative shall have one vote and, on a poll, every member present in person or a representative or proxy shall have one vote for each share of which he is the holder.

(d) Borrowing

The Directors may exercise all the powers of the Company to borrow money and to mo gage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, d enture stock and other securities. The Directors are to restrict the borrowings of the Company so as to secur at the aggregate amount for the time being remaining undischarged of all monies borrowed by the mpany and its subsidiaries shall not at any time, without the previous sanction of an ordinary resolution o e Company in general meeting, exceed a sum equal to three times the aggregate of the amount paid up on t share capital of the Company and the total of he consolidated capital and revenue reserves of the C pany and its subsidiaries for the time being (adjusted as may be appropriate in respect of any variation in amount paid up on the share capital, or share premium account or capital redemption reserve since the d of the latest audited consolidated balance sheet) and after deducting any amounts distributed or proposed to distributed (but not provided for in the latest audited consolidated balance sheet) other than to the Company any sums set aside for taxation, any amounts attributable to outside shareholders in subsidiaries of the Co pany, any amount attributable to goodwill or other intangible assets and any debit balance on the la t audited consolidated profit and loss accoun.

(e) Dividends and distribution of asset on liquidation

The holders of the Ordinary sha are entitled pari passu amongst themselves, but in prop tion to the number of Ordinary shares held by them and to the amounts paid up or credited as paid up on su shares, to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus the event of the liquidation of the Company.

(f) Unclaimed dividends

Any dividend unclaimed after a period of 12 years from its date of declaration shall be forfeited and s revert to the Company.

(g) Pensions and gratuities

The Directors may give or award pesions, annuities, gratuities or superannuation or other allow nces or benefits to any Director, ex-Director, employee or ex-employee of the Company or any of its subsidiaries or any wife, widow, children and other relatives or dependants of any such Director, ex-Director, emp oyee or ex-employee.

(h) Directors

(i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be less than two.

(ii) A Director shall not be required to hold any shares in the capital of the Company.

(iii) The provisions of section 185 of the Companies Act 1948 (retirement of Directors at age 70) appl to the Company.

(iv) The Directors shall be paid out of the fun s of the Company by way of remuneration for their services as Directors such sums (if any) as the Dir ors may from time to time determine (not exceeding in the aggregate an annual sum of £100,000 or s h larger amount as the Company may by ordinary resolution determine). The Directors shall be entitled be paid all reasonable expenses properly incurred by them in connection with the business of the Comp y.

(v) The Directors may appoint any one or mo of their body to be an executive officer of the Company. A Director who holds an executive office or erforms duties which, in the opinion of the Directors, are outside the scope of the ordinary duties of Director may be paid such extra remuneration by way of salary, percentage of profits or otherwise as e Directors may determine.

(vi) A Director may hold any other office or pla of profit under the Company (except tha of auditor) in conjunction with the office of Director or may t by himself or through his firm in a professional capacity for the Company on such terms as to remun ation and otherwise as the Directors may arrange. No Director or intending Director shall be disq lified by his office from entering into any contract, arrangement, transaction or proposal with the mpany either with regard to his tenure of any such other office or place of profit or to his acting in a profes nal capacity or as a vendor, purchaser or otherwise nor shall any such contract, arrangement, transactio r proposal entered into by or on behalf of he Company *in which any Director or person connected w* him is in any way interested, whether directly or indirectly, be liable to be avoided, nor shall any D ctor who enters into any such contract, arrangement, transaction or proposal or who is so interested be li e to account to the Company for any profit realised by any such contract, arrangement, transaction or pr osal by reason of such Director holding hat office or of the fiduciary relationship thereby established.

(vii) A Director who is to his knowledge in any way, whet directly or indirectly, interested in any contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of Directors. A general notice gi to the Directors by any Director to the effect that he is a member of any specified company or firm or i be regarded as interested in any contract which may after the date of the notice be made with the comp y or firm shall be deemed a sufficient declaration of interest in relation to any contract so made.

(viii) Save in the particular circumstances specified in the A les, a Director shall not vote in respect of any contract, arrangement, transaction or any other proposa atsoever in which he has any material interest otherwise than by reason of his interests in shares or de tures or other securities of or otherwise in or through the Company. A Director shall not be counted the quorum at a meeting in relation to any resolution on which he is debarred from voting. The Co any may by ordinary resolution suspend or relax these provisions to any extent or ratify any trans ion not duly authorised by reason of the contravention thereof.

The particular circumstances are:—

(a) the giving of any security or indemnity to a Director in r ect of money lent or obligations incurred by him at the request or for the benefit of the Company any of its subsidiaries;

(b) the giving of any security or indemnity to a third party respect of a debt or obligation of the Company or any of its subsidiaries for which a Director has umed responsibility in whole or in part under a guarantee or indemnity or by the giving of securit ;

(c) any proposal concerning an offer of shares or debentures or er securities of or by the Company or any of its subsidiaries for subscription or purchase in ch a Director is interested in the underwriting or sub-underwriting thereof;

(d) any contract, arrangement, transaction or other proposal co ning any other company in which the Director is interested, directly or indirectly, whether as a ficer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially rested in one per cent. or more of any class of the equity share capital or of the voting rights of th levant company;

(e) any contract, arrangement, transaction or other proposal conce g the adoption, modification or operation of a superannuation fund or retirements benefit sche under which the Director may benefit and which relates to both employees and Directors of the C pany and which does not accord to any Director as such any privilege or advantage not generally ac ded to the employees to whom such scheme or fund relates; and

(f) any contract, arrangement, transaction or other proposal concerni e adoption, modification or operation of any scheme for enabling employees including full ti executive Directors of the Company and/or any subsidiary to acquire shares or other secur of the Company or any arrangement for the benefit of employees of the Company or any of it bsidiaries under which the Director benefits in a similar manner to employees.

3. Directors and other interests

(a) The Directors, together with their interests and those of their families in the share ital of the Company as will be recorded immediately following the merger and the placing in the Regis of Directors' Interests maintained under the provisions of the Companies Act 1967 (as amended), are a ows:—

	Number of shares (Beneficial)	Number of shar (Non-beneficial	Total percentage of issued share capital
L. H. Silver	28,507,122	5,228,572 (see note (i)	%
J. B. McDonald	1,000	—	28.8
O. Brosh	4,476,964	—	—
J. S. Huntley	—	—	3.8
D. W. Komrower	4,476,964	—	—
G. E. Moore	522,858	11,110,714 (see note (ii))	3.8
M. S. Silver	13,451,807	11,110,714 (see note (ii))	9.9
E. Smith	—	—	21.0
G. A. Thomas (see note (iv))	1,000	—	—

Note:

(i) Mr. L. H. Silver is the trustee of a family trust whose beneficiaries are the dchildren of Mr. L. H. Silver, failing whom, his children. Mrs. L. H. Silver is the trustee of a family st having the same beneficiaries.

(ii) Mr. G. E. Moore and Mr. M. S. Silver are the joint trustees of a discretionary settleme hose objects include Mr. L. H. Silver, Mr. M. S. Silver, Mrs. D. W. Komrower and Mrs. O. osh. These 11,110,174 shares (9.5 per cent. of the issued share capital) within the settlement are wn as non-beneficial holdings of both Mr. G. E. Moore and Mr. M. S. Silver.

(iii) The shares comprised in the trusts referred to in notes (i) and (ii) above are not included in beneficial holdings set out in the table above.

(iv) Mr. G. A. Thomas is a director of York Trust Holdings Limited ("York Trust") which h 944,000 Ordinary shares. His family trust holds 23.4 per cent. of the issued share capital of York T .

(b) Mr. J. B. McDonald has been granted an option exercisable between 18th July, 1987 and 17th July 91 over 150,000 Ordinary shares under the Old Scheme referred to in paragraph 5 below at a price of 25p pe are. All the Directors, with the exception of Mr. G. A. Thomas (who is a non-executive Director) and Mr. L. Silver and Mr. M. S. Silver (who have too substantial shareholdings to be eligible), are eligible to partici in the 1985 Executive Share Option Scheme.

(c) Save as disclosed above, none of the Directors has any interest in the share capital of the Company.

(d) The aggregate of the remuneration paid and benefits in kind granted to the Directors of the Company by Kalon or (as the case may be) Leyland and their respective subsidiaries during the year ended 31st December, 1984 amounted to £448,000. The aggregate of the remuneration payable and benefits in kind to be granted to the Directors by the Company and its subsidiaries in the current financial year is estimated to amount to £499,000.

(e) On 17th May, 1985 Kalon made an unsecured loan of £50,000 to Leeds United Football Club Limited of which Mr. L. H. Silver is Chairman and holds approximately 15 per cent. of the issued share capital. This loan has since been repaid. Save as disclosed herein, none of the Directors has any interest in any transactions entered into by the Company or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year (where these remain outstanding or unperformed) and which are or were unusual in their nature or conditions or significant to the business of the Company or its subsidiaries.

(f) Save for the Directors' holdings referred to above, and Investors in Industry plc which immediately following the merger will hold 13,724,999 Ordinary shares representing 11.7 per cent. of the issued share capital, the Company is not aware of any other interests in 5 per cent. or more of the issued share capital of the Company following the merger or of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

4. Service agreements

On 21st June, 1985 the Company will enter into service agreements with the following executive Directors of the Company at current annual salaries (inclusive of Directors' fees) as follows: L.H. Silver, £100,000; J. B. McDonald, £42,500; O. Brosh, £42,500; J. S. Huntley, £42,500; G. E. Moore, £42,500; M. S. Silver, £29,000; E. Smith, £35,000.

Each of the above service agreements is for a term of approximately two and a half years commencing 21st June, 1985 and continues thereafter unless terminated by either party giving to the other two years written notice to expire at any time on or after 31st December, 1987.

Under his service agreement the total emoluments payable to Mr. J. B. McDonald will be increased from those previously payable by £6,460 to take into account the elimination of his rights to a profit related bonus.

Save as disclosed, none of the Directors of the Company has a service agreement with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensation).

5. Share schemes

The following is a summary of the three schemes involving employees of the Group in the capital of the Company:—

(i) The Leyland Paint & Wallpaper p.l.c. Share Option Scheme ("the Old Scheme")

(a) *Introduction*

The Old Scheme was adopted by the shareholders of Leyland in general meeting on 15th March, 1973 pursuant to the Finance Act 1972. No further options will be granted under the Old Scheme but eight employees currently hold options over Ordinary shares under the terms of the Old Scheme which are still capable of exercise.

(b) Terms of exercise

(i) An option may not be exercised before the third anniversary of the date of grant (except in the circumstances mentioned in this paragraph (b)) or after the seventh anniversary of the date of grant.

(ii) If an employee holding an unexercised option dies, his legal personal representatives may exercise that option in whole or in part within twelve months after the date of his death; otherwise it will lapse.

(iii) If a person holding an unexercised option ceases to be employed by reason of injury, disability, redundancy or retirement at or after normal retirement age he may exercise the option in whole or in part within six months of the date of his ceasing to be employed; otherwise it will lapse.

(iv) If a person holding an unexercised option ceases to be employed by reason of retirement within five years before his normal retirement age (other than by reason of disability, injury or redundancy) he may exercise his option within six months of his retirement, subject to such restrictions as the Directors may in their discretion impose.

(v) If a person ceases to be employed for any reason other than those set out in (b)(iii) and (b)(iv) above any options then held by him will lapse unless the Board in its sole discretion otherwise decides in the case of an employee who leaves (a) to take up employment (i) with a company in which the Group has a material interest, or (ii) of a public nature; or (b) by reason of the company by which he is employed ceasing to be a member of the Group. In that event his option may be exercised within six months of his leaving and will thereafter lapse.

(vi) If an employee holds an unexercised option at the date when any company either making a general offer or otherwise has acquired a majority of the issued ordinary share capital of the Company, he may exercise his option within six months from the date when such offer becomes known to him provided that if during such period the offeror issues a notice under section 209 of the Companies Act 1948 and indicates that it intends to exercise the right of compulsory acquisition in respect of shares issued on exercise of options by a specified date, options will be exercisable until such date and will thereafter lapse.

(vii) In the event of notice being given of a resolution for the voluntary winding up of the Company outstanding options shall be exercisable until the passing of the resolution (and shall thereafter lapse) provided that exercise is conditional upon the resolution being duly passed.

(c) Adjustment

The Board may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion) the number of shares under option and available for option, and/or the option price, to take account of any capitalisation issue, rights issue, or consolidation, sub-division or reduction of capital of the Company.

(d) Rights attaching to shares

Shares allotted on exercise of an option will rank pari passu in all respects with the Ordinary shares then in issue except that they will not rank for any dividend or distribution of the Company proposed to be paid to shareholders on the register on a date which precedes the date of exercise.

(ii) The Savings Related Share Option Scheme ("the Savings Related Scheme")

(a) Introduction

The Savings Related Scheme which was adopted by shareholders on 27th May, 1982 is an Inland Revenue approved scheme under the provisions of the Finance Act 1980 (as amended) and is administered by the Directors.

(b) Eligible employees

All UK employees (including executive Directors) of the Company, and of any of its subsidiaries which the Directors have decided shall participate, whose normal working week is twenty-five hours or more and who have completed at least one year's continuous service are eligible to participate. Participation may also be offered at the Directors' discretion to other full-time employees of participating companies provided their normal working week is at least sixteen hours.

(c) Subscription price

The price at which a participant may subscribe for Ordinary shares on the exercise of an option shall be determined by the Directors but shall not be less than 90 per cent. of the average of the middle market quotations of a share as derived from The Stock Exchange Daily Official List over the earliest three dealing days during the thirty days before eligible employees were granted options (or, if higher, the nominal value of a share).

(d) Grant of options

(i) Subject to the limitations of the Savings Related Scheme all eligible employees may, at the Directors' discretion, be invited to participate once in any financial year during the one month following either the publication of the Company's interim results for any financial year or the conclusion of the Annual General Meeting of the Company.

(ii) An employee who applies to participate will normally be granted an option over that number of shares the aggregate subscription price of which as nearly as possible equals but does not exceed the proceeds (including bonus) of the related SAYE contract. Options may not be assigned.

(e) Savings contract

(i) Eligible employees who wish to participate in the Savings Related Scheme must enter into a contractual savings scheme with a building society (the "savings contract") approved for this purpose by the Inland Revenue.

(ii) Under the savings contract an employee contracts to make fixed monthly contributions by deductions from remuneration. After five years, an employee may apply for repayment of his contributions together with a tax-free bonus equal to fourteen monthly contributions and may use the proceeds to acquire shares. If he elects to leave his contributions in the savings contract for a further two years, he will become entitled to an increased tax-free bonus equal to twenty-eight monthly contributions. The bonuses payable under the savings contract may be varied from time to time by Treasury Order.

(iii) The contributions to the savings contract must be in multiples of £1 per month and must be not less than £10 nor, when aggregated with contributions under other contracts linked to the Savings Related Scheme, be more than the lesser of £100 and the amount as shall from time to time be permitted for the purposes of the approval of the Savings Related Scheme by law (currently £100). If the number of shares over which options are applied for exceeds the number made available under the Savings Related Scheme by the Directors on that occasion then employees' contributions under the savings contract will be scaled down and the numbers of shares over which options are granted will be correspondingly reduced.

(f) Limitations on the Savings Related Scheme

(i) The maximum number of shares which may be acquired in respect of options granted pursuant to the Savings Related Scheme shall be limited to 5 per cent. of the issued ordinary share capital of the Company from time to time and in any event shall not exceed 8,750,000 shares provided that such figure may be adjusted as appropriate (subject to the auditors confirming in writing that in their opinion such adjustment is fair and reasonable) to take account of any capitalisation, rights issue, consolidation or sub-division affecting such shares or any reduction of the ordinary share capital of the Company.

(ii) No option may be granted after the tenth anniversary of the shareholders' approval of the Savings Related Scheme.

(g) Exercise of options

(i) Options may be exercised in whole or in part:

(a) during the six-month period next following the date on which a participant becomes entitled to the bonus payable under the savings contract (the "bonus date");

or, to the extent that the amount repaid to him under the savings contract allows:

(b) within six months of a participant leaving the service of the Company or any of its subsidiaries because he is injured, disabled, made redundant or retires on reaching normal retirement age; or

(c) within six months of a participant leaving the service of the Company or any of its subsidiaries more than three years from their date of grant by reason of early retirement; or

(d) within six months of a participant in service reaching state pensionable age and continuing in service; or

(e) where a participant dies during the course of his savings contract (i.e. before the bonus date), within twelve months of his death or (if he dies within six months after the bonus date) within twelve months after the bonus date.

(ii) Options shall lapse:

(a) where a participant leaves service for any reason other than those specified in paragraph (i)(b), (c) or (e) above; or

(b) on the expiry of the periods prescribed for their exercise except in the case of a participant in service reaching state pensionable age and continuing in service; or

(c) if a participant's right to make contributions lapses under the savings contract before the completion of contributions

and in any of these events a participant will be entitled to the proceeds then due to him under the savings contract including any bonus or interest accrued.

(h) Listing

Application will be made by the Company to the Council of The Stock Exchange for shares allotted following exercise of any option to be admitted to the Official List of The Stock Exchange. Such shares will rank pari passu in all respects with other issued shares of the Company.

(i) Reorganisation of capital

In the event of a capitalisation or rights issue or any consolidation, sub-division, conversion or reduction of any of the authorised or issued share capital of the Company the Directors may make such adjustment to the number of shares or nominal amount comprised in each option and/or the option price thereunder as is confirmed in writing by the auditors of the Company to be, in their opinion, fair and reasonable. In such event, adjustment as aforesaid shall also be made to the total number of shares available under the Savings Related Scheme.

(j) Change in control of the Company and voluntary winding up

Options may, subject to paragraph (g)(ii) above, be exercised if a takeover offer for the Company becomes unconditional or if the Court sanctions a compromise or arrangement under section 206 of the Companies Act 1948. Similarly, subject to paragraph (g)(ii) above, options may be exercised for six months following the passing of a resolution for the voluntary winding up of the Company and shall thereafter lapse.

(k) Amendments

The Rules of the Savings Related Scheme may be amended by the Directors in any respect provided that:

(i) no amendment may be made to the following without prior consent of the Company in general meeting:—

—the periods during which options may be offered;

—the basis of calculation of the subscription price;

—the total number of shares available for the Savings Related Scheme:

—the rules governing amendment of the Savings Related Scheme;

—the rights attaching to the shares on their allotment following the exercise of options;

—the persons eligible to participate;

—the maximum contribution of each participant to the savings contract;

—the basis of participation of employees in the Savings Related Scheme or the period during which options may be granted or exercised;

—the rules governing reorganisation of capital, takeover or the winding up of the Company;

(ii) no amendment may be made without the prior approval of the Inland Revenue.

(iii) The 1985 Executive Share Option Scheme ("the 1985 Scheme")

(a) *Constitution of the 1985 Scheme*

(i) The 1985 Scheme, for which Inland Revenue approval has been sought under the provisions of the Finance Act 1984, will be governed by the rules summarised herein and will be administered by the Directors.

(ii) The Directors may terminate the 1985 Scheme at any time or amend the rules but not so as to affect options already granted to participating employees or (except with the prior approval of shareholders in general meeting) the provisions of the 1985 Scheme relating to:

(a) eligibility for participation:

(b) the number of shares available for the 1985 Scheme and for individual participants;

(c) the basis of subscription;

(d) the exercise of options; or

(e) the voting, dividend, transfer or other rights including those arising on liquidation.

No amendment may be made without the prior approval of the Inland Revenue.

(b) Eligibility

Participation in the 1985 Scheme will be offered to executives who devote substantially the whole of their working time to their duties and who are not within two years of retirement, at the sole discretion of the Directors.

(c) Shares

The shares to be appropriated for issue under the 1985 Scheme will be Ordinary shares.

(d) Share price

The exercise price per share will not be less than the middle market quotation of the shares derived from The Stock Exchange Daily Official List for the three business days immediately preceding the date of grant of the option (or the nominal value of the shares if this is greater).

(e) Rights and restrictions

(i) An option granted under the 1985 Scheme may not be exercised before the third anniversary of the date of grant (except in the circumstances mentioned in this paragraph e) or after the tenth anniversary of the date of grant.

(ii) If an employee holding an unexercised option granted under the 1985 Scheme dies, his legal personal representatives may exercise that option in whole or in part within twelve months after the date of his death; otherwise it will lapse.

(iii) If a person holding an unexercised option granted under the 1985 Scheme ceases to be employed within the Group by reason of injury, disability, redundancy within the meaning of the Employment Protection (Consolidation) Act 1978, retirement, or the company by which he is employed ceasing to be a member of the Group, he may exercise the option in whole or in part within six months of the date of his ceasing to be employed or, if later, the third anniversary of the date of grant of the option; otherwise it will lapse.

(iv) If a person ceases to be employed within the Group for any reason other than those set out in (e)(iii) above any options then held by him will lapse unless, in the case of an option granted no less than three years before the date of his ceasing to be employed, the Directors in their sole discretion otherwise decide.

(v) If an employee holds an unexercised option granted under the 1985 Scheme at the date when any person makes a general offer to acquire the whole of the issued ordinary share capital of the Company, he may exercise his option within four months from the date when such offer is declared or becomes unconditional provided that if during such period the offeror issues a notice under section 209 of the Companies Act 1948 options will be exercisable for 14 days following such issue and will thereafter lapse.

(vi) In the event of notice being given for any scheme of reconstruction or amalgamation of the Company under section 206 of the Companies Act 1948, an employee holding an option may exercise it within three months following sanction of such scheme by the Court.

(vii) In the event of notice being given of a resolution for the voluntary winding up of the Company (other than for the purposes of reconstruction or amalgamation when outstanding options are taken into account) outstanding options shall be exercisable until the commencement of the winding up.

(f) Limits

(i) An individual will not be granted any options if the total subscription price for the shares comprised in those options, when added to the total subscription price of shares under options already granted to him under the 1985 Scheme or any other share option scheme (other than a Finance Act 1980 Save As You Earn scheme), at any time in the preceding ten years would exceed four times his annual remuneration subject to PAYE at the time of the proposed grant of any such options.

(ii) The aggregate number of shares put under option pursuant to this and any other share option scheme (except a Finance Act 1980 Save As You Earn scheme) in the preceding ten years (which options have been exercised or remain exercisable) will not exceed 5 per cent. of the issued ordinary share capital of the Company from time to time and in any event will not exceed 8,750,000 shares.

(g) Adjustment

The Board may adjust (subject to confirmation in writing by the auditors for the time being that such adjustment is fair and reasonable in their opinion and subject to Inland Revenue approval) the number of shares under option and available for option, and/or the option price, to take account of any capitalisation issue, rights issue, consolidation, sub-division or reduction of capital of the Company or the making by the Company of an exempt distribution by virtue of Part 1 of Schedule 18 to the Finance Act 1980 (i.e. a demerger of a subsidiary or its trade).

(h) Rights attaching to shares

Shares allotted on exercise of an option will rank pari passu in all respects with the shares then in issue except that they will not rank for any dividend or distribution of the Company announced prior to the date of exercise.

6. *Placing agreement*

By an agreement dated 18th June, 1985 made between (1) The Company, (2) G. A. Thomas and J. B. McDonald, (3) L. H. Silver, (4) O. Brosh, J. S. Huntley, D. W. Komrower, G. E. Moore, M. S. Silver and E. Smith (5) Warburgs and (6) County Bank, Warburgs and County Bank have agreed, subject to the admission to the Official List of the Ordinary shares in the Company and the completion of the sale and purchase agreement referred to in paragraph 7 (ix) below not later than 21st June, 1985 (or such later date as may be agreed), to purchase or procure purchasers for 10,000,000 shares at 30p per share.

7. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years immediately preceding the date of this document and are, or may be, material:—

(i) Agreement dated 30th March, 1984 between Hambros Bank Limited, the Company and the Directors of the Company relating to the subscription for 9.45 million Ordinary shares at 18p per share in cash.

(ii) Agreement dated 12th July, 1984 between Berkley Wallcoverings Inc. ("Berkley"), the holders of its common shares (including the Company) and General Trust of Canada whereby, in connection with a public offering of convertible 'A' preferred shares of Berkley on the Montreal Stock Exchange, a total of 2.4 million common shares of Berkley (including 800,000 of the Company's holding of 1,000,000 such shares) were deposited in escrow on the terms therein stated.

(iii) Agreement constituted by an exchange of telexes between the Company and Les Placements Essagal Société en Commandite dated 21st November, 1984 and 26th November, 1984, being an option agreement over the 1,000,000 Berkley shares mentioned in (ii) above.

(iv) Agreement dated 29th November, 1984 between the Company and William Morris Fine Arts Public Limited Company ("William Morris") for the sale of the wallcovering interests of the Company to William Morris for a consideration of approximately £3.53 million, satisfied as to £500,000 by shares in William Morris (sold as mentioned in contract (vi) below) and the balance in cash.

(v) Letter agreement dated 29th November, 1984 between Hanover Grand Limited and the Company for the purchase of 2,083,333 William Morris shares at a price of 24p per share in cash.

(vi) Contract notes dated 30th April, 1985 and 10th May, 1985 for the sale of respectively 100,000 and 1,983,333 Ordinary shares of William Morris for a total consideration of £554,070 (net of expenses of sale).

(vii) Agreement dated 21st June, 1983 between Kalon, JCT 600 Limited and Energy Funding (1982) Limited relating to the establishment of a joint venture for the development of oil and gas interests.

(viii) Agreement dated 7th September, 1983 between Kalon, Martin Joyce & Associates and Manston Development Group Limited, relating to the construction of a laboratory block and administration block at Huddersfield Road, Birstall for the sum of £915,000.

(ix) Agreement dated 23rd May, 1985 between L. H. Silver and others, L. H. Silver, Kalon, Smyth-Morris S.A. and others, the Company and G. A. Thomas and J. B. McDonald for the acquisition of the entire issued share capital of Kalon.

(x) The placing agreement referred to in paragraph 6 above.

8. Premises

Details of the principal premises owned or leased by the Group (including the principal place of business at Birstall, West Yorkshire) are as follows:—

Freehold properties

Location	Occupation	Description	Buildings sq. ft.	Land Acres
Huddersfield Road, Birstall	Kalon	Group headquarters, factory, and warehouses	299,511	60
Bradford Road, Batley	Smyth-Morris (Chemicals)	Industrial property	19,276	0.37
George Street, Batley	Kirklees Chemicals	Industrial property	26,584	1.68
Wide Lane, Morley	Leeds Paint Manufacturing Company and Silver Paint & Lacquer Company	Factory and warehouses	121,689	6.9
Blessington, Eire	Summit Chemicals Limited	Industrial property	10,500	2.5
Northgate, Leyland, Preston	Leyland	Factory and offices	124,000	5.76
Brook Mill, Leyland, Preston	Leyland	Warehouse and offices	138,000	9.25

Leasehold properties

Location	Occupation	Description	Area	Lease Details	Current annual rental £000	Rent review period	Date of next rent review
Western Road, Mitcham	Carson Hadfields	Industrial premises	170,000 sq. ft.	125 years from 1.3.69	200	7 years	May 1990
Cramlington	Penetone/Horgen	Chemicals factory	27,000 sq. ft.	42 years from 27.10.66	20	14 years	October 1994
Madrid, Spain	Smyth-Morris S.A.	Factory, office and warehouse	20,000 sq. ft.	Short term tenancy	28	—	—

Trade depots

The Group operates 40 trade depots located throughout the United Kingdom situated as follows:—

South East
London, Bloomsbury
London, Tooting
London, Edmonton

South Wales and South West
Bristol
Cardiff
Plymouth
Poole
Swansea

Midlands
Aston
Burslem
Coventry
Leicester

North East
Houghton-le-Spring
Middlesbrough
Newcastle-upon-Tyne
Sunderland

Yorkshire
Barnsley
Doncaster
Harrogate
Huddersfield
Leeds
Sheffield
York

East Anglia
Kings Lynn

North West
Barrow
Blackpool
Bolton
Carlisle
Leyland
Liverpool
Llandudno
Manchester
Morecambe
Oldham
Preston
Southport
Stockport
Wigan

Scotland
Edinburgh
Glasgow

9. Taxation

(a) The Directors have been advised that, after completion of the merger and the placing, the Company is not likely to be a close company as defined in the Income and Corporation Taxes Act 1970.

(b) Clearance has been obtained from the Inland Revenue under section 464 of the Income and Corporation Taxes Act 1970 and section 88 of the Capital Gains Tax Act 1979 in respect of the reorganisation of share capital referred to in paragraph 1 above and the merger with Kalon.

(c) The Directors have been advised that no material liability for capital transfer tax will fall upon the Company or any subsidiary as a result of the placing or as a result of the merger with Kalon but, under the placing agreement referred to above, Mr. L. H. Silver has given certain indemnities in relation to, inter alia, capital transfer tax.

(d) Under current United Kingdom legislation, no taxation will be withheld from dividend payments by the Company but when paying a dividend the Company has to remit to the Inland Revenue an amount of advance corporation tax ("ACT") at a rate which is related to the basic rate of income tax and is currently 3/7ths of the dividend paid. Accordingly, the ACT related to a dividend currently equals 30 per cent. of the sum of the cash dividend plus the ACT.

For shareholders resident in the United Kingdom, an amount equal to the ACT paid is available as a tax credit, which individual shareholders who are so resident may set off against their total income tax liability or, in appropriate cases, reclaim in cash. A United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received.

Whether holders of shares in the Company who are resident in countries other than the United Kingdom are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on such shares depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and what relief or credit may be claimed for such tax credit in the jurisdictions in which they are resident.

10. Working capital

The Directors are of the opinion that, having regard to the bank facilities available to the Company and its subsidiaries, the Group has sufficient working capital for its present requirements.

11. General

(a) The accounts of Leyland for the three financial years ended 31st December, 1984 have been audited by Peat, Marwick, Mitchell & Co. The accounts of Kalon for the three financial years ended 31st December, 1984 have been audited by Robson Rhodes.

(b) The financial information contained in this document does not constitute full group accounts within the meaning of section 11 of the Companies Act 1981. Full consolidated accounts for Kalon and Leyland relating to each financial year to which the information relates have been delivered to the Registrar of Companies with the exception of those for the year ended 31st December, 1984 which have not yet been so delivered. The auditors of each company have made unqualified reports under section 14 of the Companies Act 1967 in respect of each such accounts.

(c) Robson Rhodes and Peat, Marwick, Mitchell & Co. have given and not withdrawn their respective written consents to the issue of this document with the inclusion herein of their reports and the references thereto and to their names in the form and context in which they appear.

(d) Simon Houlston and Partners, Airey Entwistle & Co., J. Trevor & Sons and G. F. Singleton & Co. have given and have not withdrawn their respective written consents to the publication of this document with the inclusion of the references to them and to their valuations (as the case may be) in the form and context in which they appear.

(e) Save as disclosed herein, there has been no material change in the financial or trading position of Kalon or Leyland since 31st December, 1984.

(f) Save as disclosed herein:—

(i) neither Leyland nor Kalon nor any of their subsidiaries or Directors nor any person considered to be acting in concert with them owns any shares of Leyland or Kalon nor has Kalon or any of its subsidiaries or Directors or any person considered to be acting in concert with them dealt for value in any Ordinary shares or options of Leyland since 4th April, 1984;

(ii) there is no agreement, arrangement or understanding between Kalon or any of its subsidiaries or any person acting in concert with any of them or any Director or recent Director or shareholder or recent shareholder of Leyland or any other person having any connection with or dependent or conditional on the merger or any related transactions. In particular and save for shares to be placed pursuant to the placing agreement referred to above, the shares issued pursuant to the merger will not be transferred to any other person;

(iii) it is not proposed in connection with the merger that any payment or other benefit shall be made or given to any Director of Leyland as compensation for loss of office or as consideration for, or in connection with, his office;

(iv) the emoluments of the directors of Kalon will not be affected by the merger or by any other associated transaction;

(v) the total emoluments of the Directors will not be varied in consequence of the merger.

(g) The following table shows the middle market quotations, derived from The Stock Exchange Daily Official List, of Ordinary shares on the first dealing day of each month for the last six months up to the date of suspension of the listing and on 3rd April, 1985 (the last dealing day before the announcement of the merger and suspension of listing):—

	p
1st November, 1984	27
3rd December, 1984	30
2nd January, 1985	35
1st February, 1985	32
1st March, 1985	37
1st April, 1985	33
3rd April, 1985	35

(h) Neither the Company nor any of its subsidiaries is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the Company's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company or any of its subsidiaries.

(i) It is expected that listing of the Ordinary shares will be granted by the Council of The Stock Exchange on 21st June, 1985 and that dealings will commence on 24th June, 1985.

(j) The expenses of the listing and placing, including the costs of preparing and circulating this document, are estimated to amount to £650,000 exclusive of VAT and are payable by the Company.

(k) The placing price represents a premium of 15p to the nominal value of 15p per Ordinary share.

12. Documents for inspection

The following documents or copies thereof may be inspected at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London EC2M 7HD during normal business hours on any weekday, Saturdays and public holidays excepted, for a period of fourteen days following the date of publication of this document:—

(a) the Memorandum and Articles of Association of the Company;

(b) the audited consolidated accounts of Kalon and Leyland for the two years ended 31st December, 1983 and 1984;

(c) the reports of Robson Rhodes and Peat, Marwick, Mitchell & Co. and the statements of adjustments thereto;

(d) the service agreements referred to in paragraph 4 above;

(e) the share schemes referred to in paragraph 5 above;

(f) the material contracts referred to in paragraph 7 above;

(g) the valuations of property of the Group referred to in Parts IV and V;

(h) the consents referred to in paragraphs 11(c) and 11(d) above; and

(i) the letter to shareholders of Leyland dated 23rd May, 1985.

Dated 18th June, 1985.

THE MANAGEMENT PAGE

EVERYBODY needs heroes, particularly when times are tough. As Western Europe struggles with sluggish growth and rising unemployment, the quest for economic rejuvenation almost everywhere has created its own man of the hour—the plucky and ingenious entrepreneur.

Tributes to "small is beautiful" and exhortations to greater individual risk-taking are now heard as often from Socialist ministers in France as in Britain and West Germany. In almost every country, steps have ben taken or are planned to stimulate small business activity by cutting red tape and providing fiscal incentives.

Venture capital funds, almost unknown in most of Europe a few years ago, are springing up to provide equity finance for "start-up" companies. The Brussels-based European Venture Capital Association (EVCA), formed in 1983 with EEC support, now has more than 100 members and estimates that almost Ecu 5bn is available for investment.

The one element in conspicuously short supply so far is entrepreneurs; or, rather, enough of them with the drive, vision and management flair needed to turn today's small firms into tomorrow's big businesses. "The number of potential growth companies in Europe run by people with a growth mentality is very small," says Raymond Appleyard, head of the EEC Commission's innovation division.

An EEC study of 40-odd newly-formed European firms in the late 1970s found that few had coherent business plans for future growth and none was seriously trying to expand outside its home market. By some estimates, lack of suitable opportunities has also driven European venture capitalists to invest more than half their funds so far outside Europe—chiefly in the U.S.

Academics, government officials and financiers agonise endlessly over the reasons. Is it just a question of time? Are further changes in government policies needed? Or is it that, as one senior EEC official wondered aloud recently: "Maybe we Europeans just aren't very competitive people?"

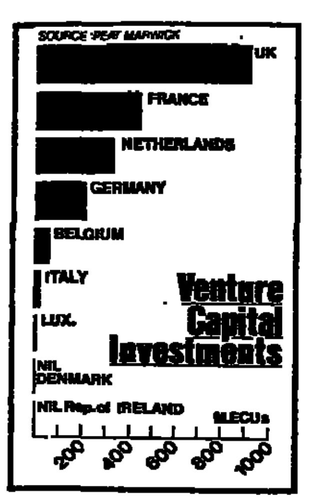
Even fervent enthusiests believe it will be at least a decade before Europe masters the formula for success. "I am an optimist, but it would take a miracle to catch up with the U.S.," says Maurice Tchenio, head of the Paris affiliate of Alan Patricof Associates, a leading American venture capital firm. "The best we can hope for is to keep the gap constant."

The pace has, nonetheless, quickened since the late 1970s. Most of it is still centred in Britain, the first country in

Entrepreneurs

A conspicuous shortage of vision and flair

Guy de Jonquieres continues this series by examining the record of those seen as economic rejuvenators



Europe to embrace the entrepreneurship cult. From 1981 to 1984, Ecu 1bn of venture capital investments were made in the UK, two-thirds of the EEC total, according to accountants Peat Marwick Mitchell. That compares with Ecu 12bn in investments made in the U.S. in the same period.

The UK Unlisted Securities Market, established in late 1980, is also by far the biggest vehicle in Europe for the issuing and trading of shares in small firms, with some 300 companies quoted. Areas like Cambridge and the M4 motorway corridor have led the way as havens of high-technology enterprise, while the UK has pioneered the trend in management buy-outs; there have been more than 400 in the past three years.

Some of these phenomena have lately spread to continental Europe. More than 70 companies have obtained quotations on France's unlisted market since it was established in early 1983, and many have performed spectacularly well. The Dutch "parallel" market features about 40 firms.

In West Germany, though equity financing is scarce, clusters of new high-technology companies are springing up in West Berlin, around Munich and in Baden-Wuerttemberg. In Italy, which has long had a flourishing small business sector, several groups of managers have spun off from larger companies such as Olivetti and Fiat to set up on their own.

Europe's new-found enthusiasm for entrepreneurs owes much to experience in the U.S., where it is estimated that as many as two-thirds of all net new jobs created in the early 1970s were in small businesses. Just as important is the stimulus to innovation from small American companies, which have proved highly effective at diffusing technology, turning bright ideas into products much more rapidly than large, bureaucratic organisations.

Europe's lag does not seem due to any inability to create new firms. Indeed, compared with the 600,000 businesses formed in the U.S. in 1983, 170,000 were created in Britain and an estimated 150,000 in West Germany, roughly equivalent in relation to population. The problem, rather, lies in getting them to develop.

In some countries, the odds are stacked against new businesses right from the start. In Belgium, it can be a real challenge just to become incorporated, as EVCA has found to its chagrin. In spite of a helping hand from King Baudouin himself, it has waited more than 18 months for official publication of its articles of association, without which it could not even open its own bank account.

In West Germany, which has many thousands of small family-owned companies, local chambers of commerce and banks do a lot to help new businesses get started. The Federal Government and several states also provide generous development subsidies to small high-technology firms. Many of the new ventures are in computer software, which involves only a small investment in fixed assets.

But the German legal system frowns on risk-taking; owners of family businesses which go bankrupt are subject to unlimited liability for up to 25 years. "If your company fails, you lose your whole reputation," says Dr Albrecht Angstenberger, research director of Leitron, a two-year-old German maker of advanced printed circuit boards. "It's very hard to start again."

U.S. experience suggests, though, that a high casualty rate is a key element of a flourishing entrepreneurial economy. One study has found that American firms with fewer than 20 employees have less than a 40 per cent chance of surviving more than four years.

In Italy, rules which exempt employers with fewer than 35 staff from social security contributions are blamed for discouraging companies from getting bigger. Those which do, often split themselves in two or are forced to merge with larger concerns.

Finding the right sales and distribution channels can also be a struggle. "There is far more clarity about markets and business statistics in the U.S.—it's far simpler there to find out who to sell to," says Geoff Taylor, managing director of 3i Ventures, Britain's oldest and largest venture capital fund.

Large European companies are often criticised for not doing more to help small entrepreneurs. Though companies including Pilkington, Shell, Siemens, Philips and Olivetti have joined the ranks of venture capitalists, relatively few have made a point of including newly-formed firms among their suppliers and sub-contractors.

"It's no big deal for a company like Thorn EMI or Ferranti to invest half a million pounds in the equity of a small company," says Taylor. "It's a much bigger risk for them to buy sub-assemblies from an unknown supplier." European governments also like to stick with long-established suppliers. In the U.S., by contrast, the federal government sets minimum quotas for orders from small businesses; they supplied almost 20 per cent of the Pentagon's $124bn procurement last year.

In the U.S., telecommunications has also been a fertile sector for start-up companies backed by venture capital. But according to Malcolm Ross of consultants Arthur D. Little, there is almost no scope for such activity in continental Europe because national telecommunications monopolies exclude all but a few favoured suppliers from their markets.

However, it is also widely conceded that much of the blame lies with European entrepreneurs, who are often far less experienced and less motivated than those in the U.S. Studies in the UK have consistently found that high-technology start-ups fail mostly because of basic management errors such as under-estimating development times, giving product engineering priority over marketing or inadequate financing.

A common diagnosis is that too few proven senior managers are leaving the status and security of jobs with big companies to set up on their own.

Robb Wilmot, chairman of Britain's ICL, argues that many European managers who leave large firms to set up on their own do so because they only want to run small businesses, not to get rich by growing fast. "Small firms may create jobs, but only big companies create wealth," he says.

A second, widely blamed constraint to growth is the marked aversion of many small businessmen, especially on the Continent, to surrendering control of their companies to gain equity capital for expansion. "Many people would rather own 100 per cent of a small company than 20 per cent of a big one," says Dr Carlo de Benedetti, chairman of Olivetti.

This attitude is particularly prevalent in West Germany, where a shortage of equity capital after the war left most companies with no option but to rely heavily on bank borrowing. Though equity issues have slowly gained popularity in the past two years, Germany still has only about 440 quoted companies, and trading on the Frankfurt bourse is limited to two hours a day.

Some venture capitalists say they are reluctant to invest unless there is a variety of proven "exit" mechanisms, notably easy access to equity markets, to enable them to realise their investments quickly. In fact, only a small fraction of venture-bound companies go public in the U.S.—the peak was 120 in 1983; but the existence of a vigorous stock market provides psychological reassurance as well as a yardstick to value the many firms which make private share placements or are taken over.

One solution under study is a proposal to create a Europe-wide over-the-counter market, modelled on the U.S. Nasdaq, on which Ecu-denominated shares could be traded. A feasibility study by ELBAssociates, a Geneva-based financial services firm, is due to be published later this year.

The scheme faces many obstacles, however. Among them are national exchange controls, a ban on German citizens holding Ecu-denominated assets and resistance from some financial institutions, notably in London, which fear that it would undermine their securities trading business.

Though its progress so far has been limited, Europe's drive to create more entrepreneurship has been blessed by exceptionally favourable circumstances in the past three years: a recovery, albeit modest, in several European economies, a proliferation of government support schemes and—perhaps most important—buoyant stock markets.

But recent problems at companies such as Britain's Sinclair Research and Acorn Computers, provide a sharp reminder that high-flyers—and investor confidence—can be grounded overnight. "I foresee a hell of a change in the climate if we have a couple of years of falling share prices," says Robin Hodgson, managing director of Granville Securities of London, a licensed securities dealer and fund manager.

How well-equipped Europe is to deal with a patch of turbulence is uncertain, and some wonder whether management resources are up to the task. Bert Twaalfhoven, an ebullient Dutch entrepreneur who is president of Indivers, a cluster of small industrial companies, claims that only a handful of venture capital firms in the Netherlands really understands the problems of running small businesses.

Optimists argue that Europe's budding entrepreneurs will only prosper in the long run if they learn to survive a crisis. For a lesson in how to do it, they need only look—once more—to the U.S.; many venture capitalists there are now struggling to cope with companies which have gone sour and have abruptly curtailed their new investments.

This is the second article in this series; the first appeared on June 17 and the next will appear on June 21.

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Bank	12½%
American Express Bk.	12½%
Henry Ansbacher	12½%
Amro Bank	12½%
Associates Cap. Corp.	13 %
Banco de Bilbao	12½%
Bank Hapoalim	12½%
BCCI	12½%
Bank of Ireland	12½%
Bank of Cyprus	12½%
Bank of India	12½%
Bank of Scotland	12½%
Banque Belge Ltd.	12½%
Barclays Bank	12½%
Beneficial Trust Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
CL Bank Nederland	12½%
Canada Permanent	12½%
Cayzer Ltd.	12½%
Cedar Holdings	13 %
■ Charterhouse Japhet	12½%
Choulartons**	
Citibank NA	12½%
Citibank Savings	¶12¾%
Clydesdale Bank	12½%
C. E. Coates & Co. Ltd.	13 %
Comm. Bk. N. East	13 %
Consolidated Credits	12½%
Co-operative Bank	*12½%
The Cyprus Popular Bk.	12½%
Dunbar & Co. Ltd.	12½%
Duncan Lawrie	12½%
E. T. Trust	13 %
Exeter Trust Ltd.	13 %
First Nat. Fin. Corp.	13½%
First Nat. Secs. Ltd.	13½%
■ Robert Fleming & Co.	12½%
Robert Fraser & Ptns.	13½%
Grindlays Bank	‡12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
Heritable & Gen. Trust	12½%

■ Hill Samuel	§12½%
C. Hoare & Co.	12½%
Hongkong & Shanghai	12½%
Johnson Matthey Bkrs.	12½%
Knowsley & Co. Ltd.	13 %
Lloyds Bank	12½%
Edward Manson & Co.	13½%
Meghraj & Sons Ltd.	12½%
Midland Bank	12½%
■ Morgan Grenfell	12½%
Mount-Credit Corp. Ltd.	12½%
National Bk. of Kuwait	12½%
National Girobank	12½%
National Westminster	12½%
Northern Bank Ltd.	12½%
Norwich Gen. Trust	12½%
People's Trust	13½%
Provincial Trust Ltd.	13½%
R. Raphael & Sons	12½%
P. S. Refson	12½%
Roxburghe Guarantee	13½%
Royal Bank of Scotland	12½%
Royal Trust Co. Canada	12½%
■ J. Henry Schroder Wagg	12½%
Standard Chartered	‖12½%
TCB	12½%
Trustee Savings Bank	12½%
United Bank of Kuwait	12½%
United Mizrahi Bank	12½%
Westpac Banking Corp.	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7 day deposits 9¼%. 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9¼% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

FT COMMERCIAL LAW REPORTS

U.S. discovery of documents banned in English case

SOUTH CAROLINA INSURANCE CO v ASSURANTIE MAATSHAPPIJ DE ZEVEN PROVINCIEN
Court of Appeal (Lord Justice Griffiths, Lord Justice Slade and Lord Justice Lloyd): May 23 1985

THE COURT will restrain a litigant from seeking to obtain pre-trial discovery of documents against a third party in the U.S., in that pre-trial discovery and discovery against persons who are not party to the action are not permitted under the English rules of procedure to which the court is subject.

The Court of Appeal so held when dismissing an appeal by defendants, *Assurantie Maatshappij* De Zeven Provincien ("Zeven"), Arabian Seas Insurance Co and Al Ahlia Insurance Co, from Mr Justice Hobhouse's order restraining them from taking further steps in their application for the assistance of the U.S. District Court Western District of Washington at Seattle, in obtaining discovery of documents situated in the U.S. for use in English actions brought against them by South Carolina Insurance Co.

LORD JUSTICE GRIFFITHS said that South Carolina, an American insurance company, reinsured another American company and then reinsured that risk on the London market with Zeven, Arabian Seas and Al Ahlia.

It called on Zeven to pay substantial sums under the reinsurance contracts. Zeven refused to pay and disputed liability.

By a writ dated December 12 1984 South Carolina commenced an action against Zeven. On February 28 1985 it commenced a second action against Al Ahlia and Arabian Seas.

Zeven indicated that a number of substantial defences would be raised including allegations of misrepresentation and non-disclosure. The same defences *would* be raised *in the other two* actions, and in all probability the actions would be consolidated.

In order to make good those defences the three defendants *wished to see the documentation* that underlay the placing of the reinsurance. The documents were in the possession of underwriting agents and loss adjusters in Washington.

The defendants asked the underwriting agents if they could inspect the documents. The agents referred the request to their principal who consulted South Carolina. The request was refused. The defendants therefore decided to use the American pre-trial discovery procedure to obtain the documents.

On March 28 1985 they lodged with the District Court at Seattle a petition for judicial assistance pursuant to 28 United States Code section 1782. By that petition they sought an order *that the underwriting agents and* the loss adjusters produce the documents.

The District Court ruled that South Carolina must file its affidavit in opposition to the petition by April 29. Before that date South Carolina took out a summons in the English court in the action against Zeven, seeking an order that the defendants withdraw their petition or be enjoined from proceedings further; and for a declaration that the motion for pre-trial discovery in the U.S. was an abuse of the process of the English court.

The summons was heard on April 24. Mr Justice Hobhouse ordered that the defendants be restrained from taking further steps in the U.S. motion. He refused the application for a declaration and refused to order withdrawal of the petition.

The defendants now appealed. The American judge, Judge Barbara J. Rothstein stayed proceedings pending judgment in England.

Section 1782, on which the defendants relied, provided that "(a) The District Court ... may order [a person] ... to produce a document ... for use in proceedings in a foreign or international tribunal.... The order may be made ... upon the application of any interested person...."

There could be no question but that the defendants were interested persons. They said the documents were essential to the conduct of the English action, and that it was in the interest of justice that they should be seen at the earliest opportunity.

They submitted that their conduct was neither unjust nor unconscionable, but that they had been driven to it by the unjust and unconscionable behaviour of South Carolina *who, in breach of an insurer's* duty of good faith, had obstructed their access to the documents.

Despite the weight of their arguments, Mr Justice Hobhouse was right to make the order that he did.

It was a fundamental principle of universal acceptance that all matters of procedure were governed by the domestic law of the country in which proceedings were brought.

Each of the defendants had submitted to the jurisdiction of *the English Commercial Court.* That being so they must have accepted that the dispute should be settled in accordance with English procedure.

There was a radically different *approach to the trial of civil suits* in England and America. The difference centred on the approach to discovery.

In England the parties must first define the issues by pleadings and *only after the pleadings* were closed did discovery take place. It was then limited to documents in the possession, power or control of the opposite party, relevant to the issues raised on the pleadings.

Only in a wholly exceptional case might the court order limited discovery before pleadings. It had no general power to order discovery against third parties who were not parties to the action; nor to give discovery by ordering a witness to attend to give evidence on deposition.

The American approach was *different.* The issues were not defined with precision at an early stage in the litigation, and very wide ranging discovery took place of a character wholly foreign to and impermissible under English procedure.

The indications were, however, that the American court would not order discovery under section 1782 which was not obtainable in the foreign country in which litigation was proceeding.

In *Selas Corporation of America v The Electric Finance Company* Judge Newcombe said "this court should not ... under *section 1782 allow* litigants to circumvent the restriction imposed on discovery by foreign tribunals." In *John Deere v Sperry (U.S. Court of Appeals Third Court)* Judge Garth said "A grant of discovery that trenched on the clearly established procedures of a foreign tribunal would not be within section 1782."

Once the parties had chosen or accepted the court in which their dispute was to be tried, they must abide by the procedure of that country, and the court must be master of its own procedure.

Litigation was expensive enough, and if a party fighting a case in England had to face the prospect of fighting procedural battles in another jurisdiction, it might impose intolerable burdens and encourage the worst and most oppressive form of procedural forum shopping. The courts must set their face against any such situation developing.

As Justice Hobhouse had said, *the court would lose control of* its own proceedings. As a matter of principle the court must have an inherent jurisdiction to make any necessary order to ensure that litigation was conducted in accordance with its own procedures.

On the facts of the present case the judge made the right order. He refused to make a declaration and was right to do so. It would be very exceptional for a court to make a declaration on an interlocutory application. Only in wholly exceptional cases would a party be justified in seeking a foreign procedural remedy related to discovery without reference to the English court.

The appeal should be dismissed.

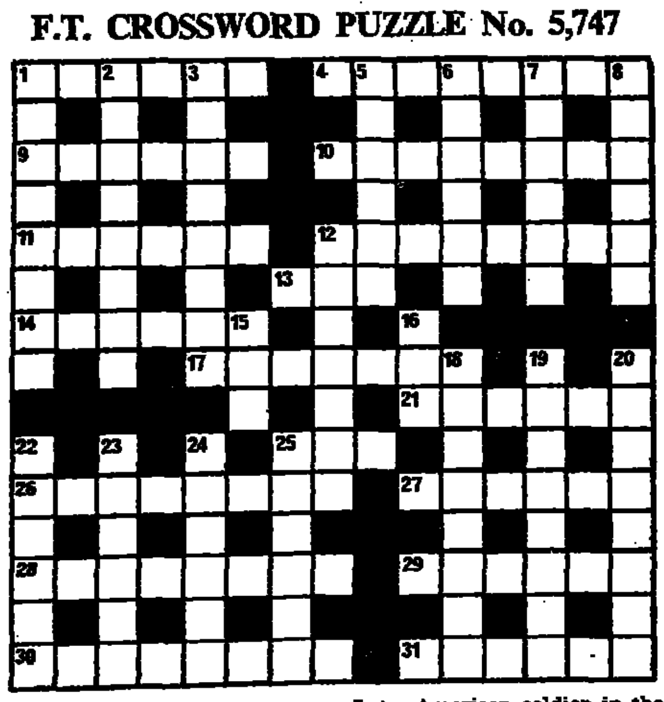
Lord Justice Slade and Lord Justice Lloyd agreed.

For the defendants: Jonathan Sumption (Clyde and Co.).

For South Carolina: Christopher Symons (Herbert Smith and Co.).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,747



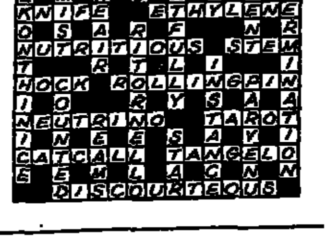
ACROSS

1 Illegal take-over (6)
4 Various trades—so different (8)
9 A non-drinker going inside managed to find a stick (6)
10 Acceptable excuses given by a social worker (8)
11 In a bad way (6)
12 Suggesting a naughty child being deceitful (8)
13 Hotel using very little tinned food (3)
14 He offers drinks about *eleven* (6)
17 Marks the wrong section (7)
21 Letter about a sportsman causing contention (6)
25 Note neat shrub (3)
26 Not one with aspirations—not any more (2, 6)
27 Depression about the City appears appropriate (6)
28 A grim lad rendering a song (8)
29 Flagrant licence (6)
30 People living in Belgium as subject people (5, 3)
31 The landlord's correspondence (6)

DOWN

1 Spare man needed for cheese-making (8)
2 Annoyed about a Greek character being told (8)
3 An ecclesiastic tea—nothing fancy (8)
5 Only heartless men are pompous (6)
6 Love to get together, so it's *said* (6)
7 An American soldier in the cart turned very sad (6)
8 Feel sentimental about silver in senility (6)
12 Cutting equipment put right after misshapen coin is discovered (7)
15 Issue some reasonable orders (8)
16 Basis for a degree (8)
18 Music played nowadays in peaceful surroundings (8)
19 Nasty beast imprisoning people underground (8)
20 A person willing to have a go at gold (8)
22 Strike in a recession, as is natural (6)
23 Quiet trainee bound to obtain contract (6)
24 Perfect *for the National* Trust in Ireland (6)
25 Got a worker to accept about a thousand (6)

Solution to Puzzle No. 5,746



APPOINTMENTS

International consumer markets head at Bank of America

BANKAMERICA CORPORATION has appointed **Mr Les Biller** as director of international consumer markets. He will manage the bank's retail operations overseas, and will be based initially in London. He joins from Citibank, where he was regional consumer business *manager for* the UK, Ireland and Scandinavia.

★

Following the acquisition of MUIRHEAD by the RHP Group, **Sir Raymond Brown** has resigned as chairman of Muirhead and is replaced by **Mr Peter Holmes**, RHP group chief executive. **Mr B. D. Crosby** has been appointed managing director of Muirhead. Mr Crosby is an *executive* director of RHP Group. He has relinquished his responsibilities as managing director of RHP Bearings but maintains responsibility for RHP Aerospace.

★

BET has appointed **Mr Ted Weston**, managing director of Initial, as a director. BET has had a shareholding in Initial since 1950 and, last month, made a successful public offer for the remaining 58 per cent of the shares.

★

Mrs Liliana Archibald *will be* joining the board of FENCHURCH GROUP INTERNATIONAL on July 1 and will be appointed managing director of CIS International and Fenchurch International Consultants. Mrs Archibald joins from Lloyd's where she has been special adviser for EEC and international affairs.

★

Mr A. V. (Dickie) Alexander, chairman of Sedgwick Group Underwriting Services, and a non-executive director of Sedgwick Group, has been re-elected chairman of the BRITISH INSURANCE BROKERS' ASSOCIATION. Both **Mr Brian Denney**, of Denney O'Hara, and **Mr David Palmer**, chairman and chief executive of Willis Faber, have been re-elected as deputy chairmen of the Association.

★

SIEMENS LIMITED has appointed four board directors: **Dr Hans Vogelsang** and **Dr Gerhard Kuehne**, *both members* of Siemens AG's management board, will serve as non-executive directors. **Mr Bernd J. Meloch** and **Mr Hans-Martin Steinle** have been promoted from divisional directors within Siemens Ltd to full executive directors. Mr Meloch's principal responsibilities are the electrical power engineering and automation activities largely based in Congleton, Cheshire. Mr Steinle is responsible for all all of Siemen's telecommunications and electronic components interests in the UK.

★

Mr I. W. Galloway has been appointed managing director of RHP INDUSTRIAL BEARINGS at Newark, a division of RHP Bearings within RHP Group. He joined RHP in 1982 as sales director of RHP Industrial Bearings.

★

BR SOUTHERN REGION has appointed **Mr John Ellis** as deputy general manager. He succeeds **Mr Gordon Pettitt** who became the region's general *manager in April. Mr Ellis was* assistant general manager (south) of Eastern Region.

★

Mr Bernard V. Hide has been appointed a director of JARVIS BROTHERS & BREWSTER (CONSTRUCTION), a wholly owned subsidiary of The British Land Company. He was formerly with Farrow Construction and latterly manager of the housing division of Lovell Farrow Construction Group during which time he had group responsibility for partners, speculative and sheltered housing projects.

★

Mr Andrew Stafford-Deitsch has been appointed an executive director of J. ROTHSCHILD HOLDINGS.

★

TEMPCO UNION has formed a specialised distribution division with **Mr Simon Bellinger** as managing director. He has joined from the Currys Group, where he was a divisional manager.

Mr Brian Inman moves from distribution director to commercial director of the new division, with responsibility for maintaining existing business and securing new contracts.

★

Mr Graeme Farquharson has joined the board of HILL MARTIN (INSURANCE BROKERS), a wholy owned subsidiary of Hill Martin.

★

Mr R. E. Morgan has been appointed director and general manager of THE DOVER ENGINEERING WORKS, *part of the* Newman Industries Group.

★

NORWICH UNION INSURANCE has appointed two directors to the boards of the principal companies of the group. They are **Mr Hugh Scurfield**, general manager and actuary of the Norwich Union Life Insurance Society, and **Mr Allan Bridgewater**, general manager of the Norwich Union Fire Insurance Society. Both retain their executive responsibilities. The appointments are from July 1.

★

Mr Douglas Routledge, director and agency manager of BRITANNIC ASSURANCE, will be retiring at the end of July. Mr P. C. Hull has been elected a director. He is accountant to the company.

★

Mr Peter C. Le Mesurier has been appointed group financial controller of JOHNSON *MATTHEY from July 1. Mr Le* Mesurier has been group budget controller since November 1984 and was previously a divisional finance director with Grand *Metropolitan Group.*

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth BH8 8AL.
0345 717373 (Linkline)

High Income				
Gilts & Fixed Int.	110.3	116.7xd	+0.3	10.28
High Inc Equity	72.3	76.9	+0.5	6.40
Worldwide Bond	144.6	153.9xd	+0.3	6.30
Capital Growth				
American Growth	133.4	141.9	-0.4	1.54
Asian Pacific	45.0	47.9	-0.3	2.50
Assets & Engy. Tt	75.2	80.5xd	+0.3	2.71
Capital Reserve	57.0	57.4		—
Commodity & Engy	67.6	72.7	+0.1	3.56
General	105.3	112.6	+0.6	2.88
Japan	154.5	166.2	-2.3	—
UK Growth Acc Units	104.0	111.9	+0.6	—
UK Growth Dist	73.2	78.7	+0.4	1.96
U.S. Emerging Co's	55.0	58.9	-0.5	0.44
Equities Prog	158.2	169.2	+0.8	3.06

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 6626

American Tech Fd	98.0	104.9		0.10
Pacific Fd	116.5	126.8	-1.4	0.20
Secured Income Fd	141.1	151.0	+0.1	5.50
Special Sits	161.0	172.8	+1.3	1.56
Energy Fd	34.5	36.9	-0.4	0.60
American Majors	57.6	61.6	+0.5	1.56
Small Co's Fd (10for1)	29.5	31.5		1.97
Jap. Technology	55.2	59.0	-0.9	0.10
International Income	50.2	53.7		7.00
Exempt	443.6	474.6		—

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	62 9	66 9	+0.2	3 40
Accum Units	93 0	98 9	+0 3	3 40
Pearl Inc.	87 8	93 4	+0 7	4 95
Pearl Unit Tst.	91.6	97 4	+0 7	4 11
(Accum Units)	154.8	164.7	+1.1	4 11

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	180 4	193 7	+0 7	1 49
Income	136.5	146.2		5 42
Worldwide Recovery	103.3	110 9		2 10
American Growth	56.3	60.4		0 65
Intl. Emerging Cos.	58.5	62.8		0 77
Far East Growth Fd	46.9	50.3		1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	101.8	109 1	−0.8	0.37
Prolific Extra Inc	61.9	65.9	+0.4	5.79
Prolific Gilt Cap.	79.5	82 7	+0 2	3 33
Prolific High Inc	127 7	135.8	+0.7	5.17
Prolific Intl.	83.3	89 3	−0.6	1 58
Prolific N. Amer.	116.4	124 7	−1.5	1.54
Prolific Spec. Sits	141 6	150.6	+0.5	1 62
Prolific Technology	104 5	112 0	−0 8	0.90

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	49.2	52.1	−0 4	0 00
Worldwide	47 7	50.5	−0.2	1.62
European Trust	47.6	50 4	+0.1	1 71
North American	52 1	55 1	−0 4	2.07
UK Equity	49.5	52 4	+1 4	3 90

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	318 1	338 4	+0 8	3 74
Holborn Gilt Tst.	149.1	156.1	+0.6	9.00
Holborn High Inc	52 9	56 2		7.37
Holborn Intl	57 0	60 6	−0.3	0 60
Holborn UK Growth	62.8	66 8	+0.3	3.12

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd	313 5	333.6		3.54
Quadrant Income	179.5	189 0		6 32
Quadrant Intl. Fund	300.6	316 5		1.50
Quadrant Recovery	193.9	204.2		2 82

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-628 6011

Wellington Inc.	48 6	51.7		6.00
Wellington Growth	100.2	106.6		2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tonbridge Wells, Kent. 0892 22271

British Life	132.2	140 8	+0 3	4.64
Reliance Unit Tst (Inc)	84 8	90 6	+0.3	4 21
Reliance Ut Tst (Acc)	109 4	116.9	+0 4	4.21

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	90 6	96 9	+0 4	6 97
International UT	212.0	226.7	+0.3	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	231.2	243.3	−2.5	1.37
NC America (Accs).	245.6	258.5	−2.7	1 37
NC Engy Res. Tst.	161.9	170 4	−0.9	2 41
NC Inc Fd.	67.7	71.2	+0 4	5.01
NC Japan Fund	108.2	113.8	−0 9	0.02
NC Smaller Cos	106.1	111 6	+0 4	2 11
NC Smaller European	100.6	105 8		0.83
NC Exempt Gilt Tst*	£117.0	122 0	+1.0	11.00
NC American Prop*	$12.21	11 80		—
NC Prop.*	185 0	194 0		—

*Unauthorised Unit Trusts.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	96.8	103 0	−1 1	1.20
Do Accum.	99 6	106 0	−1.1	1.30
TSB Extra Income	85.8	91 3	+0.5	6.17
Do Accum	95.5	101.6	+0.5	6.17
TSB General	117 9	125 4	+0.3	3.35
Do Accum	188.1	200.1	+0.6	3.35
TSB Gilt & Fxd Int	46.6	48.6	+0.2	9.50
Do. Accum	56.2	58.6	+0.1	9.50
TSB Income	160 0	170 3	+1.3	4.97
Do Accum.	241.2	256.7	+1.9	4.97
TSB Pacific	103 4	110 0	−1.0	1.07
Do Accum	106.0	112 8	−1.0	1 07
TSB International	227.1	241.6	−1.0	1 91
Do Accum.	276 4	294.1	−1.2	1.91
Natural Resources	45 5	48.5	−0 1	2.66
Do. Accum	46 0	49.0	−0.1	2.66
TSB Scotd. Opps.	46 9	49 9	+0.1	2 47
Do. Accum	50 4	53 7	+0.2	2.47

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	65.5	70.1	−0.5	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks. (0296) 5941

American Eagle	67 6	72.3	−0.1	0.26
Australia	26 0	27 7	+0 6	0 10
Commodity	93.2	100.2	−0.3	1.72
Energy	42 8	45 8	−0.5	0 76
Equity	98.8	105 4	+0.8	3 76
European Spec. Sits	50.1	53 6		0 93
Extra Income	92 4	98 8	+0 4	7.34
Financial	198.3	211 5	+1.4	2.91
Gilt Capital	213 7	223 2	+0.5	3.25
Gilt Income	100.7	105 4	+0.2	9.09
Gold Income	62 9	67 3	+1 4	2.27
Gold Acc.	114.1	122 0	+2.5	2.27
Income	57.3	61 6	+1.1	6.08
Japan	44 0	46 9	−0.6	0.10
Malaysia & Singapore	25 6	27 3	−0 1	1.08
Pacific Income	65.2	69 7	−1.2	0.89
Pacific Rr Inv.	79.2	84 7	−1.4	0.89
Preference Share	15 8	17 0		10 19
Professional	477.0	508.8	−1 4	1.71
Special Sits	85 1	91 0	+0.4	2 47
Technology	39 7	42.5	−0.2	0.10
U S. Special Bond	49 6	53.1	−0.3	6.39
Worldwide Capital	111.3	118 7	+0.1	1 74
Equity Exempt June 19	620.2	661 3	−13 8	2.48
Equity Ex Acc June 19	1139 4	1215 4	−25 4	2.48

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

Electra Small Cos. Fd.	125.80	132 72		3 78
High Income	41.5	44 5	+0.1	7.60
North American	104 8	111 5	−0.3	0.69
Recovery	118.1	125.6	+0.5	3.93
Gilt Trust	37.3	38 6	+0.1	9 87
St Vincent U S Gwth	69 0	71 9	−0 9	0.84
St. Vincent High Inc	67.9	70 0	+0.7	6.21

Touche, Remnant Unit Trust Mngt, Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	26.4	28 4		0.26
TR General Growth	38.0	40 4	+0 1	2 44
TR Global Tech.	27.7	29.5	−0.1	0 10
TR Income Growth	44.2	47.6	+0.3	5.02
TR Income Monthly	38.8	41.3	+0 1	7 43
TR Overseas Growth	32.7	34.8	−0.4	1.80
TR Smaller Cos	39.8	42 4	+0.1	1.91
TR Special Opps	42.0	45.2	+0.4	1.21

Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

TUUT June 1	134 5	141 6		3.59

Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford. 0245-51651

Colemco June 14	368.9	385 9		4 56

Barclays Life Assur. Co. Ltd.
252 Romford Road, E7. 01-534 5544

Barclaybond (z)	282 6	297 5	+0.8	—
Equity Accum. (z)	323.1	340.2	+1.6	—
Do. Initial (z)	295.6	311.2	+1.4	—
Gilt-edged Accum. (z)	181.6	191.2	+0 1	—
Do. Initial (z)	167.5	176.4	+0.1	—
International Acc. (z)	199 4	209 9	+0 6	—
Do Initial (z)	183.0	192 7	+0.6	—
Managed Acc (z)	241 0	253 7	+0 7	—
Do. Initial (z)	221.3	233 0	+0.7	—
Money Acc (z)	160 7	169.2		—
Do. Initial (z)	144.6	152.5		—
Property Acc. (z)	205.3	216.2		—
Do. Initial (z)	189.7	199 7		—
America Acc (z)	155.5	163 7	+0 4	—

Cornhill Insurance PLC
57 Ladymead, Guildford. 0483 68161

Equity Fd June 5	188.0	198 0		—
Fixed Int June 5	142.0	149.5		—
Man Growth June 5	404.5	426.0		—
Money Fd June 5	129.0	136.0		—
Cap Fd May 15		304.5		—
G &S Spec Fd May 15		129.5		—
Far Eastern Equity	114.5	121.0		—
N. Amer. Equity	116.5	123.0		—
Int'l Technology	99 5	105.0		—
Property	106.0	112.0		—

Credit & Commerce Life Ass. Ltd.
74, Shepherds Bush Green, W12 8SD 01-740 7070

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Flexible Finance		159.39		—
Landbank Secs.		66 23		—
Landbank Secs. Acc.	208.96	203 74		—
G. & S. Super Fd		£12 022		—

Guardian Royal Exchange
Royal Exchange, EC3. 01-283 7101

Guardian Assurance

Property Bonds	341.4	355.6		—

GRE Linked Life Assurance Ltd.

Managed Initial	255.1	268 6	+1.9	—
Do. Accum	294.0	309 6	+2 2	—

Legal & General (U.A.)—Contd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU Burgh Heath 53456

Ex. Bidg. Soc. Lnkd.	97.0	102.2	(z)	12.5
Do. Accum	98 4	103.6	(z)	12.5
Exempt Cash Init.	175.9	185.2	(z)	—
Do. Accum.	224.6	236.5	+0.1	—
Exempt Eqty. Init.	498.6	524.9	+1.8	—
Do. Accum.	636.5	670.1	+2.3	—
Exempt Fixed Init.	290.1	305 4	+0.7	—
Do. Accum.	370.3	389.8	+0.8	—
Ex. Index Lnk. Gilt	99.8	105.1	−0.2	—
Do. Accum.	108.9	114.7	−0.2	—
Exempt Intl. Initial	146.6	154.6	−0.4	—

INSURANCE, OVERSEAS & MONEY FUNDS

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.10			—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$17.69			—

Inv. Adv.: M & G Inv. Mngt. Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	[illegible]			—
Dynamic Gwth Fd	[illegible]			—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr

The Charities Deposit Fund
77 London Wall, London EC2N 1DB — 01-588 1815

	Gross	Net	Gr Equiv CAR	Int Cr
Deposit	12.5	—	—	3-Mth

The Money Market Trust
63 Qn Victoria St, EC4N 4ST — 01-236 0952

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	12.34	9.22	11.94	6mth
7-day Fnd	12.77	9.55	13.13	6mth

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. — 01-236 1425

	Gross	Net	Gr Equiv CAR	Int Cr
Call Fnd	12.12	9.06	13.3	6-Mth
7-day Fund	12.35	9.23	[illegible]	6-Mth
Dollar	[illegible]	—	—	6-Mth
Money Mngt Acct	12.00	—	—	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr

Adam & Co. plc
22 Charlotte Sq, Edinburgh, EH2 4DF — 031-225 8464

	Gross	Net	Gr Equiv CAR	Int Cr
Full Service Chr Acc.	12.25	8.75	13.04	Qtr

Aitken Hume
30 City Road, EC1Y 2AY — 01-638 6070

	Gross	Net	Gr Equiv CAR	Int Cr
Treasury Acc	12.375	9.25	13.11	Qtr
Mth Int. Chq.	12.25	9.16	13.96	Mth

Bank of Scotland
38 Threadneedle St, EC2P 2EH. — 01-628 8060

	Gross	Net	Gr Equiv CAR	Int Cr
Cheque Acc.	12.05	9.00	13.40	Mth

Barclays Prime Account
PO Box 125, Northampton — 0604 252891

	Gross	Net	Gr Equiv CAR	Int Cr
High Int. Cheque	12.00	8.875	13.24	Qtr

Britannia Investment Services Ltd.
29 Finsbury Circus, EC2M 5QL — 01-588 2777

	Gross	Net	Gr Equiv CAR	Int Cr
Cater Allen	12.25	9.15	13.6441	Mth

Charterhouse Japhet plc
1 Paternoster Row, EC4M 7DH. — 01-248 3999

	Gross	Net	Gr Equiv CAR	Int Cr
Sterling	12.25	9.16	13.89	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Mark	4.75	4.75	4.85	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth

Citibank Savings
St Martins Hse, Hammersmith Grove — 01-748 9251

	Gross	Net	Gr Equiv CAR	Int Cr
Cheque Plus	—	10.00	14.83	Qtr

Co-operative Bank Cheque & Save
78-80 Cornhill EC3 01-626 6543

	Gross	Net	Gr Equiv CAR	Int Cr
£500-£2,500	11.0	8.22	12.11	Qtr
£2,500 +	13.00	9.72	14.40	Qtr

Dartington & Co Ltd
Dartington, Totnes, Devon TQ9 6JE. — 0803 862271

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt Acc	12.25	9.16	13.31	Qtr

Edward Manson & Co Ltd
9 Henrietta Place W1M 9AG — 01-631 3313

	Gross	Net	Gr Equiv CAR	Int Cr
Cheque Deposit Acc	12.75	9.53	14.45	Mth

Henderson/Bank of Scotland
38 Threadneedle St EC2P 2EH — 01-628 8060

	Gross	Net	Gr Equiv CAR	Int Cr
Money Mkt. Cheque Acc.	12.05	9.00	13.40	Mth

Lombard North Central PLC
17 Bruton St, W1A 3DH — 01-409 3434

	Gross	Net	Gr Equiv CAR	Int Cr
14-Day Notice	12.625	9.43	13.48	—

M & G/Kleinwort Benson
91-99 New London Rd, Chelmsford. — 0245 51651

	Gross	Net	Gr Equiv CAR	Int Cr
H.I.C.A.	12.10	9.04	13.48	Daily

Midland Bank plc
PO Box 2, Sheffield. — 0742 20999 Ext 8738

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq	12.05	9.00	13.49	Qtr

Provincial Trust (formerly Choulartons)
30 Ashley Rd, Altrincham, Cheshire, WA14 2DW 061-928 9011

	Gross	Net	Gr Equiv CAR	Int Cr
Cheque Acc.	12.75	9.53	14.50	Mth

Royal Bank of Scotland plc
24 Lombard St, London EC3V 9EA — 031-557 0201

	Gross	Net	Gr Equiv CAR	Int Cr
Premium Account	12.25	9.15	13.73	Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB — 0708 66966

	Gross	Net	Gr Equiv CAR	Int Cr
H.I.B.A.	12.04	9.00	13.45	Daily

Tyndall & Co
29-33 Princess Victoria St, Bristol — 0272 732241

	Gross	Net	Gr Equiv CAR	Int Cr
Demand Acc.	12.44	9.30	13.99	Qtr
Money Acc.	12.20	9.125	13.686	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth — 0705 827733

	Gross	Net	Gr Equiv CAR	Int Cr
Special Acc.	12.10	9.24	13.70	Mth
Over £10,000	12.35	9.23	14.02	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE — 0752 24141

	Gross	Net	Gr Equiv CAR	Int Cr
High Int Chq Acc.	12.69	9.48		

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR. Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‖ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk	30
BAT	32	NEI	8
BOC Grp	25	Nat West Bk	60
BSR	16	P & O Dfd.	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	25
Barclays	48	Racal Elect.	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord	32
Boots	15	Reed Intnl	50
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	29
Debenhams	27½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs.	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met.	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min.	4
Guardian	60	Brit Petroleum	42
GKN	17	Burmah Oil	18
Hanson Tst	17½	Charterhall	6
Hawker Sidd	38	Premier	5
Hse of Fraser	30	Shell	60
ICI	60	Tricentrol	18
'Imps'	28	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	50	Charter Cons.	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25		
Marks & Spencer	11	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Australia and U.S. in talks on grain sales

By Our Commodities Staff

AUSTRALIAN AND U.S. grain officials met in Washington yesterday to discuss the impact of the recent American grain export enhancement programme.

The U.S. Department of Agriculture is expected to announce this week a further step in the export programme, following similar lines to the big cut-price wheat sale to Algeria last month. Egypt and Morocco have been mentioned as two possible target areas.

Although the U.S. programme was aimed primarily at recapturing markets lost to the European Community, Australia fears that it may be one of the main sufferers. It is worried that the EEC, having been forced out of some markets will merely turn to other areas traditionally served by other grain exporting countries, including Australia. Mr Bob Hawke, the Australian Prime Minister, said in Canberra that Australia will seek to have U.S. efforts aimed at retaliating against the European Community's export subsidies dealt with in a broader framework.

Meanwhile Australian Wheat Board announced it had sold a further 400,000 tonnes of wheat to China for delivery this year. The sale is the second one since a long-term agreement between Australia and China expired at the end of 1984. In April this year Australia said it had sold 600,000 tonnes of wheat to China.

The Chinese, while continuing to import wheat, are stepping up their exports of feedgrains. Reuter reported from Peking that China exported 956,000 tonnes of maize to South Korea during the first four months of 1985, overtaking the U.S. as the main supplier.

In Moscow the U.S. and the Soviet Union agreed to resume agricultural co-operation, Mr Daniel Amstutz, the U.S. agriculture under-secretary, announced.

Dollar's decline lifts gold price

BY JOHN EDWARDS, COMMODITIES EDITOR

GOLD CONTINUED its recent upward surge yesterday boosted by a further weakening in the value of the dollar and the reduction in U.S. interest rates. The London gold bullion spot price gained $5.50 to close at $324.75 an ounce, its highest level for more than a month.

The London free market price of platinum jumped by $8.90 to $279.15 an ounce. Silver was also sharply higher in dollar terms. The spot price was lifted by 9.4 cents to 630.4 cents an ounce at the London bullion fixing, but the sterling equivalent was only a modest 2.2p up at 489.65p.

The rise in the value of sterling compared with the dollar was a generally depressing influence on base metal prices on the London Metal Exchange. Aluminium, nickel, tin and zinc values were all marked lower. But copper and lead resisted the downward trend. Copper was held steady by a renewed "squeeze" on supplies immediately available to the market, which narrowed the gap between the cash price and three months quotation on the higher grade market. The firmer trend was helped by a rise in early dealings on the New York copper market.

● Charles Barker City, London based advertising and public relations agency, announced yesterday that it has been appointed by a number of copper producers to prepare detailed proposals for a generic campaign to improve the "image" of copper and stress its importance as an industrial raw material. If the proposals are accepted between $6m and $10m will be spent over three to five years in promoting copper in four countries—France, Germany, Italy and the UK.

European zinc quotation lowered to $880 a tonne

BY OUR COMMODITIES EDITOR

THE MOVE to cut the European zinc producer price by $50 to $880 a tonne initiated by Metallgesellschaft last week was yesterday followed by the rest of the producers. As a result the Metal Bulletin quotation was formally lowered to $880—the second reduction in less than a month.

Although the downward trend in LME zinc values continued yesterday, reflecting the rise in the value of sterling, the cash price moved back up to a slight premium over three months' quotation following a renewed scarcity of immediately available supplies.

Preussag, West German smelters, announcing that it was cutting its official producer price to $880.

● Weekly metal prices supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,650-2,750.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.20.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.67-0.73, sticks, 0.72-0.78.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.25-11.35.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 287-297.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.30-3.45.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.65-7.15.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 59-65.

VANADIUM: European Free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.05-2.10.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 15.00.

Brazil may cut orange juice minimum

By Our Commodities Staff

BRAZIL MAY cut its minimum export price for frozen orange juice from $1,800 a tonne to $1,500, according to reports circulating in the New York market.

The rumours caused a sharp fall in the New York futures market on Monday night but values steadied a little in early trading yesterday.

WEST GERMANY was well clear at the top of the European rabies league last year with 7,055 recorded animal deaths from the disease, according to figures released by the World Health Organisation. France had the next highest number of cases, 2,871, followed by Czechoslovakia with 2,444 and East Germany with 2,015. The European total was 23,618

● INDONESIA plans to expand the annual capacity of its aluminium smelter plant in north Sumatra to 400,000 tonnes from 225,000 tonnes. The expansion project is expected to be completed in 1990.

● GUYANA is aiming to diversify its bauxite production away from its current dependence on calcined bauxite with technical assistance from Reynolds Metals Company of the U.S., according to Mr Carl Greenidge, the Finance Minister.

● THAILAND is to ask the U.S. and Japan to buy additional non-quota sugar at premium prices. Senior Thai government delegations will seek high-level talks soon with the U.S. for possible additional imports of its raw sugar outside the 35,560 tonne export quota Thailand received for the year ending September 30.

● CHINA has assured Malaysia it will keep direct purchases of rubber this year near 1984's level of 115,000 tonnes. Malaysia recently asked China to step up direct purchases which have fallen to between 3,000 and 4,000 tonnes a month since February compared with 8,000 to 9,000 a month last year.

Traders said China had bought more rubber from Thailand than Malaysia in the last four months.

Mixed outlook for steam coal trade

BY GERARD McLOSKEY

IT IS already clear that 1985 is going to be a year of extremely mixed fortunes in steam coal trading into Europe. For Poland and the UK shipments are going to be well below par while for almost all other steam coal shippers 1985 will show a marked improvement on last year, at least as far as tonnages are concerned. For prices, the misery is shared, with no sign yet that levels are going to recover from the $41 a tonne level for South African benchmark coal.

At the start of the year prices were running at $43.50 a tonne (fob barge) but fell back by $2 when the UK miners went back to work. With a period of slack demand ahead the $41 spot price looks difficult to sustain.

One curious development has emerged in recent weeks—the passing of the mantle of price setter from South Africa alone to South Africa and Australia together. In light of the higher ocean freight charges for transporting Australian coal to Europe and much higher mining costs, the development would seem to defy economic logic. But recent prices for Australian material have been more than a match for South African prices.

INTERNATIONAL COAL REPORT SPOT STEAM COAL MARKER PRICE

June, 1985	$41-42
May, 1985	$14-42
June, 1984	$42.50

(South African 10,600 Btu/lb 0.8% sulphur, fob barge, Rotterdam)

Some explanation for these price levels lies in the freight advantage of some of the very large vessels now plying the Australia-Continent trade with a 155,000-tonne cargo—Australia's largest-ever steam coal shipment—having recently been loaded at Abbots Point for the Danish utility buyer Elkraft.

Another explanation lies in the sheer volume of coal now moving out of Australia. A record 82m tonnes is expected to be exported by the end of the Australian financial year on June 30, up from 66.5m tonnes in the same 1983-84 period. In order to find a market for this tonnage the Australian shippers are having to accept buyer-determined prices. But they run a very real risk that the Canberra government will intervene and withhold export permits if the prices get too low.

In contrast with Australia, relatively-modest tonnage increases are expected for South African shipments this year taking exports to around 40m tonnes. And much of this is already sold.

Although some growth in demand is expected in Japan and the Far East during the next few months, it is to Europe that most attention has switched. Expanding consumption on the back of 14,000 megawatts of new coal capacity due to come on line among European electricity utilities this year, is sucking in steam coal in unprecedented volumes. While some of this volume—which represents over 25m tonnes of annual coal consumption—will be replacement coal capacity and some will be designed for burning domestically-produced coal (such as the Drax extension in the UK), many were built solely to take imported coal alone.

An expected ragged export performance by the National Coal Board and the recent revelation that Polish coal exporter Weglokoks may be 7m tonnes down on 1984's 43m tonnes of exports—all the deficit being in steam coal shipments—has presented many coal salesmen with a much larger European market than they had expected only months ago.

Gerard McCloskey is editor of the FT International Coal Report.

Pig disease scheme attacked

BY A CORRESPONDENT

PIG PRODUCERS are up in arms about a Ministry of Agriculture scheme to eradicate disease in their herds which they say is a waste of money.

Farmers based in Suffolk, one of the main pig producing regions in the UK, have formed a protest group to try and end the costly programme aimed at wiping out Aujeszky's disease—a kind of porcine herpes.

Although farmers themselves voted in a poll in favour of the producer-financed eradication scheme over two years ago, many now claim that they were badly misled about the cost by the Government. They say the vote would have gone very differently if the full facts had been known.

The Pig Disease Eradication Fund, set up to administer the scheme, brings in some £4m a year through its sales levy of 30p per pig, but this has proved quite insufficient to meet the cost of compensation to producers whose diseased animals have had to be slaughtered.

As a result the Fund has an overdraft of £14m. This means pig producers will have to go on paying the 30p levy for many years to come.

With the pig market entering the downside of its notorious price cycle after peaking last autumn this is an increasingly burdensome drain on profitability, opponents of the scheme claim.

The angry pig farmers point out that when they were first asked about funding eradication they were told it might cost £6m and prove a relatively short-lived affair. But it has already cost many times that and there are growing doubts as to whether the disease, which in the past has flared up and then receded, can be completely wiped out.

Only last month, Aujeszky's claimed one of its largest ever casualties when 2,700 pigs from one herd had to be slaughtered.

The House of Commons select committee on agriculture recently published a report on the troubled Aujeszky's programme which urged the Government to look sympathetically on producer demands for help.

The pig lobby wants that to take the form of Government cash to help write off the eradication company's overdraft — but so far the Ministry of Agriculture has refused to sanction such a grant for a project which it argues was entered into voluntarily by the pig industry. That position was reaffirmed this week by Mr Michael Jopling, the Agriculture Minister, when he met Fund representatives.

The immediate aim of the new protest group is therefore to try and organise a new poll of producers to overrule the original decision.

But that campaign is likely to split the ranks of pig producers. Many will stoutly defend the need to stamp out Aujeszky's disease, arguing that maintaining the health of the national pig herd is vital

Glut threatens Indonesian rice programme

By Our Commodities Staff

JAKARTA — Indonesia, after achieving record rice output last year, is facing storage and price problems which threaten to jeopardise its rice programme and cut production, according to western agricultural experts.

Rice production rose 6.4 per cent in 1984 to 25.8m tonnes, turning Indonesia from the world's biggest rice buyer into a net exporter. The country's five-year plan, started last year, projects further gains in output and Mr Arhmad Affandi, the Agriculture Minister expects output to rise by 4 per cent this year.

The experts say, however, millions of farmers who are finding it hard to sell their crops may turn to other more profitable crops when they see their income falling. "This could jeopardise government rice policy," one noted. President Suharto has made increasing rice output a cornerstone of his food policies

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	794.5-5.5	—9.5	—
3 months	815.5-6	+9.5	822/815.5

Official closing (am): Cash 795-.5 (810 5-1): three months 816.5-7 (827-8): settlement 795.5 (811). Final Kerb close: 816-17. Turnover: 11,475 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1139-39	+2	1154/1133
Three m'nths	1136.5-7	—2.5	1141/1130

Official closing (am): Cash 1,132.5-3 (1,132-5, three months 1,139-40 (1,144 5-5 5): settlement 1,133 (1,132.5). Final Kerb close: 1,138-9.

Cathodes			
Cash	1111-3	+1	—
Three m'nths	1123-6	—2.5	1129/1128

Official closing (am): Cash 1,118-20 (1,115-20): three months 1,128.5-9 (1,130-32): settlement 1,120 (1,120). Turnover 28,200 tonnes. U.S. Producer prices: 66-70 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	304-6	—5	305/305
3 months	303-.5	—.25	304/301

Official closing (am): Cash 304.5 (305 5.7): three months 301-2 (305 5-6): settlement 305 (307). Final Kerb close: 303-4 Turnover: 6,325 tonnes. U.S. Spot: 19-21 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	4330-5	—50	4380/4355
3 months	4260-5	—32.5	4305/4265

Official closing (am): Cash 4,375-80 (4,395-40): three months 4,290-5 (4,300-5), settlement 4,380 (4,400) Final Kerb close. 4,255-65 Turnover. 1,698 tonnes

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9595-605	—127	9620/9620
3 months	9485-95	—45	9490/4490

Official closing (am): Cash 9,660-70 (9,740-50): three months 9,500-10 (9,550-5): settlement 9,670 (9,750). STANDARD — —

Standard			
Cash	9590-5	—120	9660/9655
3 months	9480-90	—47.5	9505/9460

Official closing (am): Cash 9,650-6 (9,740-50); three months 9,500-5 (9,550-1); settlement 9,655 (9,750). Final Kerb close: 9,475-80. Turnover: 1,550 tonnes. Straits tin $M29 60 kg.

ZINC

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	568-70	—8.5	—
3 months	566-7	—12.25	574.5/564

Official closing (am): Cash 568-9 (576-1): three months 565.5-6.5 (575-.5): settlement 569 (571). Final Kerb close: 564-5. Turnover: 9,156 tonnes. U.S. Prime Western: 44.5-47.75 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	June 18 1985	+ or —	Month ago
Aluminium	£1100	—	£1100
Free Mkt	$1066/080		$1145/175
Copper			
Cash h Grade	£1129.5	+2	£1174
3 mths	£1136.75	—2.5	£1177.5
Gold troy oz	$324.75	+5.5	$317.5
Lead Cash	£305		£292.5
3 mths	£303.25	—0.25	£297.5
Nickel			
Free Mkt	252/262c		250/260c
Palladium oz.	$102.75	+3.50	$106.75
Platinum oz	$279.15	+8.90	$274.60
Quicksilver†	$280/290		$280/290
Silver troy oz	489.65p	+2.20	486.60p
3 mths	504.15p	+1.90	501.55p
Tin cash	£9595	—120	£9535
3 mths	£9485	—47.5	£9497.5
Tungsten	$75.39		$79.03
Wolfram 22 04lb	$56/60		$68/71
Zinc	£569	—8.5	£585.5
3 mths	£566.5	—12.25	£646.25
Producers	$880		$950/960

	June 18 1985	+ or —	Month ago
OILS			
Coconut (Phil)	$595v	—10	$670
Palm Malayan	$570y		$595
SEEDS			
Copra Phil	$370z		$405
Soyabean (U.S.)	$233.75w	—3.25	$238.75
GRAINS			
Barley Fut. Sept.	£97.40	+0.10	£98.90
Maize	£146.50		£150.0
Wheat Fut Sept.	£98.25	—0.05	£121.45
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept.	£1717.5	—19	£1781.5
Coffee Ft. Sept.	£2071.5	—41	£2075.5
Cotton A Index	62.70		64.80c
Gas Oil Aug.	$211	+2.25	$215.5
Rubber (kilo)	67p	—1	63p
Sugar (raw)	$92.5vu	—0.5	$90
Wooltops 64s	457pkilo		475pkilo

‡ Unquoted. u Aug. v June-July. w Sept. y July. z July-Aug. † Per 76 lb flask. c Cents per pound.

GOLD

Gold rose $5½ an ounce from Monday's close in the London bullion market yesterday to finish at $324½-325. The metal opened at $318¾-319¼ and traded between a high of $324¾-325¼ and a low of $318½-319. Trading was influenced primarily by a sharp decline in the value of the dollar and a reduction in U.S. interest rates.

GOLD BULLION (fine ounce) June 18

Close	$324½-325	(£250½-251)
Opening	$318¾-319¼	(£248 248½)
M'n'g fix.	$321.65	(£249.942)
Aft'n'n fix.	$323.75	(£250.097)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$333 333½	(£256¾-257¼)
½ Krug.	$172-173½	(£132¾ 133¾)
¼ Krug.	$88¼-88¾	(£68-68½)
1/10 Krug.	$36 36½	(£27¾-28¼)
Mapleleaf	$334¼ 335	(£258-258½)
New Sov.	$76½ 77	(£59 59½)
½ New Sov	$46¾-47¼	(£36 36½)
Old Sov.	$78-79½	(£60¼-61½)
$20 Eagle	$455-495	(£351-381¼)
Noble Plat	$278-281¼	(£216½-219)

SILVER

Silver was fixed 2.2p an ounce higher for spot delivery in the London bullion market yesterday at 489.65p. U S cent equivalents of the fixing levels were: spot 630 4c, up 9 4c, three-month 641 6c, up 8 95c; six-month 653 75c, up 9c; and 12-month 679 35c, up 9 4c The metal opened at 487½-490½p (627-630c) and closed at 492½-495½p (638-641c)

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	489.65p	+2.20	491.0p	+3
3 months	504.15p	+1.90	506.5p	+5
6 months	518.60p	+1.85	—	—
12 months	546.85p	+2.70	—	—

LME — Turnover: 49 (32) lots of 10,000 oz.

Three months high 507, low 506: final Kerb 505-7.

FREIGHT FUTURES

The market opened on an easier note and continued to slide throughout the day, recovering slightly on the close. Lacklustre trade reflected an inactive physical market, reports Clarkson Wolff. The Baltic Freight Index was 928, down 2.6.

	Close	High/Low	Prev.
July	887/890	887/889	885/893
Oct.	912/913	916/918	915/910
Jan.	910/915	913/916	—
April	945/980	960/968	—
July	910/925	912/926	—
Oct.	970/995	975/980	—
Jan.	960/1050	990/1025	—
April	1020/1066	1065/1130	—

Turnover: 41 (37).

GRAINS

Old crop wheat lost ground throughout the day as longs liquidated ahead of the EEC tender and physical demand diminished. New crops traded either side of unchanged, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
July	116.50	—1.50	—	—
Sept.	98 25	—0.05	97.40	+0.10
Nov.	101.55	+0.05	101.25	+0.20
Jan	105.30	+0.10	104.70	+0.05
Mar	108.45	—0.05	107.80	+0.15
May	111.65	—0.10	110.80	+0.15

Business done—Wheat: July 117.40-6.50, Sept 98.35-8.25, Nov 101.60-1.50, Jan 105.30-5.15, Mar 108.55-8.45, May 111.65 only. Sales: 183 lots of 100 tonnes. Barley: Sept 97 40 only. Nov 101.25-1.20, Jan 104.75-470, Mar 107.80 only. May untraded. Sales: 51 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent July 141.75, Aug 137.25, Sept 138.35, Oct 142.35 sellers transhipment east coast. U S. no 2 soft red winter July 125.50, Aug 127.50, Sept 129.50, Oct 131.50 sellers. EC harvest 118 quoted. English feed fob June 121, Aug/Sept 99.00, Sept 100, Oct/Dec 104.50, Jan/Mar 110 sellers. Maize: U.S. no 3 yellow/French transhipment east coast June 146.50 sellers. Barley: English feed fob July/Aug 97.50 seller east coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed—Barley: S. East 110 40, W. Mids 109 90, N. West 113 10. The UK monetary coefficient for the week beginning Monday June 24 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged

COFFEE

Continued trade and dealer selling together with steadier sterling prompted a gradual decline, reports DBL. Commission House buying and a rally in New York encouraged a recovery but prices fell again towards the close.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	2033 34	—26.5	2047-25
Sept.	2070 73	—41.0	2100-73
Nov.	2115-20	—38.5	2143 15
Jan	2151 52	—47.0	2189-50
March	2148 52	—51.0	2190-45
May	2150 60	—35.0	2165-60
July	2140 70	—40.0	—

Sales: 4,006 (1,684) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for June 17: Comp daily 1979 132.30 (133.26); 15-day average 131.99 (131.98).

RUBBER

The London physical market opened sharply easier, attracted little interest throughout the day and closed quiet and uncertain, reports Lewis and Peat. Closing prices (buyers) spot 67.00p (68.00p); July 68.50p (69.75p); August 67.00p (68.50p). The Kuala Lumpur fob price for RSS No 1 was 200.0 (204.5) cents a kg and for SMR 20 was 175.0 (176.0).

INDICES

FINANCIAL TIMES

June 17	June 14	M'th ago	Year ago
284.60	278.29	285.79	301.25

(Base: July 1 1952 = 100)

REUTERS

June 18	June 17	M'th ago	Year ago
1781.9	1789.0	1847.6	1921.1

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	923.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	June 17	June 14	Month ago	Year ago
Spot	119.35	119.06	—	136.09
Fut.	120.88	121.12	—	136.87

(Base: December 31 1974 = 100)

COCOA

Futures began slightly stronger than due in quiet conditions. During late trading the weakness of the dollar caused a drift in prices. Some light consumer price fixing was noted but origins were withdrawn. Life-of-contract lows were registered for the new crop positions, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1771-1772	—14.0	1788-1770
Sept.	1717-1718	—19.0	1742-1717
Dec.	1686-1687	—19.0	1708-1685
Mar.	1699-1700	—16.5	1718-1700
May	1718 1719	—10.5	1735-1716
July	1725-1730	—18.0	1758-1729
Sept.	1730-1740	—18.5	—

Sales: 3,414 (2,105) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for June 18: 94.47 (94.19): five-day average for June 19: 95.02 (95.47).

SUGAR

LONDON DAILY PRICE—Raw sugar $92.50 (£71.50), down 50c (down £1.50) a tonne for June-July-August delivery. White sugar $133.00, down $1.00. The market again ran into selling above $95.00, basis October, and prices drifted lower before recovering, reports C. Czarnikow.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Aug	93.4-93.8	93.2-93.8	94.4-92.2
Oct	94.8-95.0	94.2-94.6	95.4-93.2
Dec.	99.6-100.2	99.2-100.0	100.0-99.0
Mar	111.2-111.4	110.8-111.2	112.2-110.8
May	120.0-120.4	118.0-115.4	114.4-
Aug	120.0 1 204	120.6-121.0	120.5-114.2
Oct	124.4 125.0	124.6-128.0	—

Sales: lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £172.50 (£173.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for June 17: Daily price 2.89 (2.96); 15-day average 2.80 (2.79).

SOYABEAN MEAL

The market opened unchanged to 50p lower in dull trade, reports T. G. Roddick. Prices remained within narrow ranges during the afternoon.

	Yesterday close £ per tonne	+ or —	Business Done
June	117.0-122.5	+2.25	—
August	114.4-114.5	+0.35	—
October	114.8-115.0	—0.45	115.0-114.5
Dec.	121.1-121.5	+1.25	121.4-120.0
Feb	126.5-127.5	+1.00	—
Apr	127.0-128.0	+0.55	—
June	126.5-127.5	+0.25	—

Sales: 148 (181) lots of 20 tonnes.

OIL

In thin trading Arab Gulf crudes softened 5-10c while Brent firmed. Nymex opened 11c up for July and was 15c up at 1 pm EST after trading within a 6c range. In the petroleum products market gas oil prices firmed on tight prompt gas oil supply, good demand on the barges and a firm Nymex. Despite this the gas oil market was very quiet with no deals identified.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	26.70 26.80	—0.05
Arab Heavy	24.90-25.00	—0.10
Dubai	25.30 25.40	—0.10
Brent Blend	26.15-26.25	+0.175
W.T.I. (1pm est)	27.35-27.40	+0.225
Forcados (Nigeria)	26.15-26.25*	+0.125
Urals. (cif NWE)	25.25-25.40*	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	260-262	—
Gas Oil	216-218	+2.5
Heavy fuel oil	126-128	—0.5

* June

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
July	213.00	+1.75	213.25-12.00
Aug	211.00	+2.25	211.25-10.60
Sep	211.25	+2.00	211.25-10.00
Oct	213.25	+1.75	213.25-12.25
Nov	215.50	+1.75	215.50-15.00
Dec	216.00	—0.50	216.00-
Jan	217.50	—1.00	—

Turnover: 610 (1,430) lots of 100 tonnes.

POTATOES

Despite unaltered fundamental, futures continued to rally as shorts covered open positions, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	59.00	57.60	59.00-57.90
Feb.	66.50	65.90	66.00
Apr.	77.90	76.50	78.50-77.00
May	83.50	81.50	83.50-82.00

Sales: 379 (518) lots of 40 tonnes.

PIGMEAT

A pick-up in physical demand was reflected in the futures market where prices closed near the recent highs, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	103.80	105.30	104.00-103.50
Oct.	107.70	107.70	108.00-107.50
Nov.	108.00	108.10	108.50-108.00
Feb.	99.70	99.60	—
April	100.00	99.70	100.00
June	99.50	98.80	98.80

Sales: 64 (13) lots of 50 carcases, 3,250 kg.

MEAT

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 82.0; English hindquarters 92.0 to 98.0, forequarters 52.0 to 55.0; Ulster hindquarters 90.0 to 96.0. Veal: Dutch hinds and ends 136.0 to 140.0. Lamb: English small 80.0 to 86.0, medium 80.0 to 84.0, heavy 78 0 to 80.0; Imported: New Zealand PL 65 5 to 67.0, PX 65.0 to 65.5. Pork: English, under 100 lb 50 0 to 58.5, 100-120 lb 50.5 to 56.0, 120-160 lb 44.5 to 48.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 99 44p per kg lw (+0.04). GB—Sheep 181.62p per kg est dcw (−7.18). GB—Pigs 82.49p per kg lw (+3.97).

U.S. MARKETS

HEATING OIL rallied, with most of the strength in the nearby months, on expectations of a further draw down of distillate stocks and on profit-taking following recent declines triggered by rumours of impending crude oil price cuts, reports Heinold Commodities. Wheat traded mixed as the hard red winter wheat harvest was resumed again following recent rains. Maize and soyabeans moved higher mostly on buying related to a better tone in currencies. Soya oil traded mixed as technical selling and processor hedging depressed nearby values. Precious metals moved sharply higher as weakness to Federal Reserve funds fuelled expectations that a cut in the discount rate was imminent. Copper and aluminium benefited from a firm tone in precious metals. Sugar was steady on the strength in outside markets. Cocoa found scattered support from reports of improved physical offtake. Coffee remained steady on the lack of fresh initiatives. Cotton declined in response to reports of poor demand.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
June	45.25	—	—	44.80
July	45.40	45.50	44.85	44.95
August	45.75	—	—	45.30
Sept	46.10	45.90	45.50	45.65
Dec	47.10	46.80	46.75	46.65
Jan	47.45	—	—	47.00
March	48.15	—	—	47.70
May	48.85	—	—	48.40
July	49.55	—	—	49.10
Sept	50.25	—	—	49.80

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	2032	2046	2030	2028
Sept	2013	2027	2007	2003
Dec	1985	1999	1976	1972
March	1994	2007	1990	1978
May	2015	2017	2015	1985
July	2025	—	—	2002

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	145.37	145.50	144 80	145.20
Sept	146.96	147.28	146 35	147.21
Dec	147 71	148 00	147 15	147 75
March	147.25	147.25	146.75	147.40
May	146.26	—	—	146.53
July	145.00	—	—	145.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
June	61.70	61.20	61.00	60.60
July	61.90	62.00	61.05	60.80
August	62.35	—	—	61.25
Sept	62.80	62.90	61.95	61.70
Dec	63.85	64.00	63.10	62.80
Jan	64.10	—	—	63 05
March	64.50	63.95	63.90	63.50
May	64.90	64.35	64.35	63.90
July	65.30	65.10	65.10	64.35
Sept	65.70	—	—	64.80

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	63.30	63.45	62.90	63.43
Oct	61.65	61.80	61.40	61.69
Dec	61.77	61.98	61.65	61.88
March	62.76	62.77	62.63	62.85
May	62.98	63.00	62.90	63 08
July	63.31	63.20	62.97	63.25
Oct	59.57	59.70	59.50	59.95
Dec	58.92	59.00	58.86	59.10

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Close	High	Low	Prev
July	27.31	27.40	27.31	27.23
August	26.38	26.49	26.30	26.22
Sept	25.75	25.91	25.68	25.58
Oct	25.35	25.55	25.33	25.28
Nov	25.06	25.22	25.00	25.00
Dec	24.79	24.94	24.75	24.73
Jan	24.51	24.75	24.50	24.50
Feb	24.40	24.59	24.39	24.34
March	24.30	24.48	24.30	24.22

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	327.7	328.2	322.0	318.9
July	328.6	—	—	319.8
August	330.5	331.3	325.0	321.8
Oct	334.0	334.5	328.2	325.3
Dec	337.8	339.0	332 0	329.1
Feb	341.8	341.0	336.8	333.1
April	345.8	345.0	343.1	337.1
June	350.4	—	—	341.6
August	355.1	356.0	352.5	346 3
Oct	360.0	—	—	351.1
Dec	364 9	359.4	359.4	355.9
Feb	370.1	368.7	366.3	361.1
April	375.4	—	—	366.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
July	68.30	68.90	68.30	68.05
August	67.40	68.15	67.40	67.20
Sept	67.45	68.00	67.45	67.43
Oct	68.05	68.55	68.20	68.11
Nov	69.00	69.10	68.90	68.75
Dec	69.50	69.80	69.50	69.90
Jan	70.10	70.10	70.10	70.25

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	142.35	142.70	141.75	141.75
Sept	138.70	138.70	137.75	137.75
Nov	147.00	137.00	136.50	136.35
Jan	136.35	136.30	136.25	136.00
March	136.60	136.25	136.25	136.25
May	136.60	—	—	136.25
July	136.60	—	—	136.25
Sept	136.60	—	—	136.25
Nov	136.60	—	—	136.25

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	278.1	—	—	267.9
July	279.0	280.3	274.0	268.8
August	281.3	275.0	275.0	271.1
Oct	283.7	285.0	278.0	273.2
Jan	288.7	290.0	286.0	278.1
April	293.9	292.5	289.0	283.1
July	299.8	302.0	297.6	293.0

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	648.2	645.0	645.0	623.8
July	650.0	654.0	633.0	625.5
August	653.5	—	—	628.9
Sept	657.8	661.0	640.5	633.1
Dec	669.6	674.0	652.0	644 6
Jan	673 9	673.0	671 0	648.8
March	682.0	679.0	664.0	656.7
May	690.7	692.0	679.0	665 3
July	700 0	697.0	686.0	674 5
Sept	709.9	—	—	684.3

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.98	2.99	2.91	2.96
Sept	3.07	3.08	2.99	3.06
Oct	3.17	3.18	3.07	3 16
Jan	3.50	3.53	3.44	3.48
March	3.81	3.94	3.92	3.81
May	4.08	4.08	4.01	4.09
July	4.29	4.29	4.21	4.31
Sept	4.45	—	—	4.39
Oct	4.61	4.55	4.55	4.61

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
June	57.97	59.00	57.97	58.47
August	60.67	61.40	60.35	61.72
Oct	61.65	62.10	61.32	62.32
Dec	62.95	63.42	62.65	63.45
Feb	63.67	63.97	63.35	64.10
April	64.70	65.00	64.30	65.20
June	65.10	65.10	64.80	65.55

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
June	49.07	49.10	48.70	48.92
July	50.92	51.10	50.62	51.02
August	50.35	50.65	50.10	50.62
Oct	47.35	47.40	47.15	47.35
Dec	48.97	49.05	48.60	48.92
Feb	50.05	50.40	50.00	50.37
April	46.55	46.65	46.35	46.40
June	48.86	48.85	48.65	48.67
July	49.35	49.50	49.35	49.60

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	176.6	177.0	275.0	275.6
Sept	258.0	258.0	256.6	257.0
Dec	252.4	253.0	251.4	251.4
March	261.2	261.6	260.4	260.0
May	264.4	264.6	263.6	263.0
July	264.0	264.0	263.2	262.4
Sept	250.0	250.0	250.0	248.6

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
July	68.35	68.45	67.70	68.45
August	67.52	67.85	67.07	67.77
Feb	74.85	75.00	74.45	74.90
March	74.60	74.60	74.30	74.55
May	75.27	75.27	75.00	75.27
July	75.20	75.20	75.00	75.20

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	585.2	585.4	580.0	580.6
August	576.2	577.0	571.4	572.0
Sept	567.0	567.2	562.2	562.4
Nov	568.4	568.6	563.2	563.6
Jan	578.0	578.0	572.0	573.0
March	588.0	588.0	581.0	582.4
May	589.0	589.0	591.0	590.0
July	599.4	600.0	596.0	595.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	123.2	123.4	121.1	121.7
August	125.5	126.0	123.7	124.4
Sept	128.4	128.5	128.4	126.9
Oct	130.7	130.8	128.9	129.3
Dec	136.0	136.3	134.0	134.3
Jan	138.0	138.0	136.5	136.8
March	141.9	142.5	141.5	141.5
May	146.0	148.0	146.0	146.0
July	150.1	—	—	151.6

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
July	30.42	30.95	30.30	30.72
August	29.33	29.70	29.20	29.47
Sept	28.30	28.55	28.16	28.38
Oct	27.30	27.55	27.20	27.36
Dec	26.34	26.59	26.25	26.42
Jan	25.83	26.10	25.80	25.87
March	25.40	25.65	25.40	25.40
May	25.07	25.15	25.00	24.98
July	24.70	24.78	24.70	24.67
August	24.65	24.70	24.65	24.65

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	327.4	328.2	327.0	326.6
Sept	328.6	329.4	328.2	328.4
Dec	335.0	338.4	334.0	335.2
March	334.4	335.6	333.6	334.6
May	325.0	325.0	323.2	324.4
July	308.4	308.0	305.6	308.0

SPOT PRICES — Chicago loose lard 18.00 (same) cents per pound. New York tin 564.0-72.0 (561.0-65.0) cents per pound. Handy and Harman silver bullion 639.0 (628.0) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 536, 537, 537-536; Oct 537, 538, 537; Dec 536, 537, nil; Jan 537, 538, 538-537; Mar 543, 546, 547-546; May 550, 552, 554-552; Aug 64, 566, 565; Oct 584, 567, nil; Dec 565, 568, nil. Sales: 44.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 645.0, 656.0, 647.0; Oct 633.0, 634.5, 634.0; Dec 633.0, 635.0, 634.0-633.0; Mar 637.0, 638.0, 638.0-637.0; May 642.0, 650.0, nil; July 648.0, 655.0, nil; Oct 618.0, 645.0, nil; Dec 620.0, 655.0, nil. Sales: 19.

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Operations were at minimum levels and demand failed to show any expansion.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 110.40, W. Mids 109.90, N. West 113.10. The UK monetary coefficient for the week beginning Monday June 24 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

HIDES

HIDES—Birmingham (Manchester). Second clears, Ox: 31-35.5 kg, 92.7p a kg (91.5p); 26-30.5 kg, 106.4p a kg (104.9p); 22-25 5 kg, 117.6p a kg. (114.8p withdrawn). Cows: under 25.5 kg, 114.7p a kg (112.8p withdrawn).

PARIS

COCOA—(FFr per 100 kg): July 2085 ask, Sept 2040/2042, Dec 1995/2000, Mar 2005/2025, May 2020 bid, July 2025 bid, Sept 2030 bid.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's fall boosts pound

Sterling rose in currency markets yesterday to equal its best level since March 1984. Its exchange range index finished at 80.5 up from an opening level of 79.9 and Monday's close of 79.7 The pound's firmer trend was not just confined to the dollar with strong gains recarded against major European currencies and the Japanese yen.

Pressure may now increase on UK clearing banks to reduce their base rates but for the time being it was the relatively high level of UK rates which provided the backbone of support. Sterling rose to $1.29990-1.3000, a rise of 2 cents from Monday and against the D-mark finished at DM 3.9350 compared with DM 3.9150. It was also higher against the Swiss franc at SwFr 3.3000 from SwFr 3.2925 and FFr 12.0250 from FFr 11.9575. Against the yen it closed at Y322 from Y318½.

The dollar fell quite sharply in reaction to a cut in prime rates to 9½ per cent and a reduction in broker loan rates to 8 per cent. Confidence was further undermined by an announcement that the U.S. Treasury had fined four major banks in excess of $1m for currency law violations and that a further 140 banks were under investigation. In addition a surprise fall of 13.7 per cent in U.S. housing starts underlined fears about the current pace of U.S. economic growth.

Against this background and growing expectations of a further cut in the U.S. discount rate, the dollar retreated in fairly thin trading. Reaction towards tomorrow's second quarter GNP flash estimate is likely to be rather unpredictable since the dollar's current value already discounts a further slowdown in the pace of U.S. economic growth. The dollar closed at DM 3.0280 down from DM 3.0615 and Y247.50 from Y248.65. Against the Swiss franc it fell to SwFr 2.5385 from SwFr 2.5745 and FFr 9.2425 compared with FFr 9.3350. On Bank of England figures, the dollar's exchange rate index fell to 144.2 from 145.2.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. May average 3.1024. Exchange rate index 122.3 against 120.8 six months ago.

The dollar closed at DM 3.0415 against the D-mark in Frankfurt after a fixing level of DM 3.0445. A softer Fed funds rate prompted selling but resistance increased around the DM 3.04 level and it was not until after the close of banks in Frankfurt that the dollar fell conclusively below this level. Much now depends on tomorrow's U.S. GNP flash estimate.

STERLING INDEX

	June 18	Previous
8.30 am	79.9	79.7
9.00 am	79.9	79.6
10.00 am	80.0	79.7
11.00 am	80.0	79.6
Noon	80.0	79.6
1.00 pm	80.1	79.6
2.00 pm	80.2	79.6
3.00 pm	80.3	79.6
4.00 pm	80.5	79.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu rates central	Currency amounts June 18 against Ecu	% change from rate central	% change divergence adjusted for	limit % Divergence
Belgian franc	44.9008	45.2566	+0.79	+0.84	±1.5471
Danish krone	8.14104	8.06045	−0.99	−0.96	±1.6419
German D-mark	2.24184	2.24453	+0.12	+0.17	±1.1475
French franc	6.87456	6.84788	−0.39	−0.34	±1.3669
Dutch guilder	2.52595	2.52991	+0.16	+0.21	±1.5171
Irish punt	0.72569	0.717005	−1.20	−1.15	±1.6673
Italian lira	1403.49	1432.62	+2.08	+2.08	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 18	Prev. close
£ Spot	$1.2960-1.3010	$1.2760-1.2770
1 month	0.56-0.54 pm	0.53-0.50 pm
3 months	1.54-1.50 pm	1.50-1.45 pm
12 months	4.48-4.33 pm	4.25-4.10 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2810-1.3005	1.2990-1.3000	0.58-0.55c pm	5.22	1.55-1.50pm	4.69
Canada	1.7580-1.7760	1.7730-1.7760	0.49-0.40c pm	3.01	1.30-1.16pm	2.77
Nethlnd.	4.40¼-4.45¼	4.44¼-4.45¼	2⅝-2c pm	5.90	6⅞-6pm	5.56
Belgium	78.76-79.50	79.40-79.50	30-24c pm	4.08	75-66pm	3.55
Denmark	14.03-14.15½	14.14½-14.15½	2⅞-1⅞ore pm	1.97	8¼-7pm	2.16
Ireland	1.2485-1.2580	1.2566-1.2576	0.15-0.05p pm	0.95	0.29-0.10pm	0.62
W. Ger.	3.90½-3.94	3.93-3.94	2½-2¼pf pm	7.24	6½-6¼pm	6.67
Portugal	224½-227½	224½-227½	155-545c dis	−18.58	490-1455dis	−17.21
Spain	224-225½	225-225½	40-70c dis	−2.93	145-205dis	−3.11
Italy	2,489½-2,520½	2,517½-2,518½	1-3lire dis	−0.95	5-10dis	−1.19
Norway	11.26-11.37½	11.36½-11.37½	¼ore pm-¼dis	−0.07	¼-1dis	−0.28
France	11.91-12.03	12.02-12.03	2⅝-2c pm	2.57	6¼-5pm	1.85
Sweden	11.33-11.42½	11.39½-11.40½	3½-4½ore dis	−4.14	11¼-12dis	−4.08
Japan	317¼-322½	321½-322½	1.80-1.70y pm	6.52	4.80-4.60pm	5.84
Austria	27.45-27.70	27.62-27.68	15⅞-13½gro pm	6.21	39½-35½pm	5.42
Switz.	3.28½-3.30½	3.29½-3.30½	2⅝-2c pm	7.33	5⅞-5½pm	6.89

Belgian rate is for convertible francs. Financial franc 80.00-80.10. Six-month forward dollar 2.77-2.72c pm. 12-month 4.45-4.30c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2840-1.3005	1.2990-1.3000	0.58-0.55c pm	5.22	1.55-1.50pm	4.69
Ireland†	1.0281-1.0344	1.0328-1.0333	0.39-0.34c pm	4.26	1.10-1.00pm	4.09
Canada	1.3670-1.3700	1.3678-1.3680	0.24-0.27c dis	−2.23	0.64-0.69dis	−1.94
Nethlnd.	3.4150-3.4380	3.4160-3.4170	0.19-0.16c pm	0.61	0.71-0.67pm	0.80
Belgium	61.10-61.51	61.10-61.20	5½-6½c dis	−1.17	16-18½dis	1.12
Denmark	10.88¼-10.96	10.88¼-10.88¾	2-2½ore dis	−2.47	5-5½dis	−1.92
W. Ger.	3.0270-3.0530	3.0275-3.0285	0.53-0.48pf pm	1.98	1.51-1.46pm	1.95
Portugal	173½-175½	173½-176	200-500c dis	−24.14	800-1350d	−22.41
Spain	173.35-174.91	173.60-173.80	107-122c dis	−7.98	330-370dis	−8.03
Italy	1,935½-1,944½	1,936-1,937	30-40½lire dis	−6.41	30-31dis	−6.28
Norway	8.74-8.79¼	8.74½-8.75	3½-4ore dis	−5.13	10½-11dis	−4.90
France	9.24-9.30	9.24-9.24½	2¼-2½c dis	−3.07	6½-7dis	−2.96
Sweden	8.76-8.84½	8.78½-8.79	6½-7½ore dis	−9.53	19½-20dis	−8.96
Japan	247.40-248.25	247.45-247.55	0.52-0.47y pm	2.40	0.79-0.74pm	1.23
Austria	21.28½-21.45¼	21.28-21.33	2-1½gro pm	0.91	5-2½pm	0.70
Switz.	2.5380-2.5700	2.5380-2.5390	0.50-0.46c pm	2.25	1.40-1.36pm	2.16

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.55-61.65.

OTHER CURRENCIES

June 18	£	$		£ Note Rates
Argentina Peso	N/A	N/A	Austria	27.40-27.70
Australia Dollar	1.9405-1.9445	1.5015-1.5040	Belgium	79.00-79.60
Brazil Cruzeiro	7,428-7,461	5,750-5,770	Denmark	14.00-14.14
Finland Markka	8.1690-8.1845	6.3830-6.3850	France	11.90-12.08
Greek Drachma	171.96-175.65	133.94-135.75	Germany	3.90-3.95
HongKong Dollar	10.0480-10.0600	7.7660-7.7680	Italy	2480-2515
Iran Rial	117.90*	92.60*	Japan	318-323
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

June 18	Bank of England Index	Morgan Guaranty Change %
Sterling	80.5	−9.9
U.S. dollar	144.2	+20.7
Canadian dollar	87.6	−6.9
Austrian schilling	112.4	+3.4
Belgian franc	89.4	−11.0
Danish Kroner	77.7	−6.9
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

June 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.776792	0.571937
U.S. $	7½	0.999188	0.737799
Canadian $	9.79	*	1.00988
Austria Sch.	4½	21.5705	15.7741
Belgian Fr	9¾	61.3501	45.2566
Danish Kr	7	10.9286	8.06045
D'mark	4½	3.04803	2.24453
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for June 17: 1.36644.

EXCHANGE CROSS RATES

June 18	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	12⅛-13⅛	7¼-7⅜	9⅛-9⅜	6⅝-6⅝	5¼-5⅜	5⅞-5⅞	10⅛-10¼	13⅝-14⅛	8⅝-8⅞	8⅝-8⅞	6⅝-6⅞	9⅞-10⅜
Three months	12⅛-12⅜	7⅛-7⅛	9⅛-9⅜	6⅛-6⅛	5¼-5⅜	5⅛-5⅛	10¼-10⅜	13¾-14⅛	8⅝-8⅞	8¾-9	6⅛-6⅞	9⅝-10⅛
Six months	12⅛-12⅛	7⅛-7⅛	9¼-9⅜	6⅛-6⅛	5¼-5⅜	5⅛-5⅛	10⅛-10⅛	13⅜-14	8¾-9	8¾-9	6¼-6⅜	9⅝-9⅞
One year	11⅞-12	7⅛-8⅛	9⅜-9⅝	6⅛-6⅛	5¼-5⅜	5⅜-5¾	10¼-10⅞	14¼-14½	9-9¼	9-9¼	6⅛-6⅜	9⅝-9⅞

Asian $ (closing rates in Singapore): Short-term 7⅛-7½ per cent; seven days 7⅜-7½ per cent; one month 7⅞-7⅝ per cent; three months 7⅞-7⅝ per cent; six months 7⅞-7⅞ per cent; one year 8⅜-8⅝ per cent. Long-term Eurodollars: two years 8⅞-9⅛ per cent; three years 9⅛-9⅜ per cent; four years 9⅝-10 per cent; five years 10-10⅜ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London rates slightly easier

Interest rates eased slightly on the London money market yesterday as sterling approached the $1.30 level against a weakening dollar on the foreign exchanges. Sentiment was also encouraged by expectations the U.S. Federal Reserve wil cut its discount rate by another ½ per cent to 7 per cent towards the end of the week. The U.S. central bank drained reserves from the New York banking system by overnight matched sales, but only when the Federal funds rate had fallen to 6¾ per cent. Earlier in the day Morgan Guaranty became the first major U.S. bank to reduce its prime rate to 9$ per cent from 10 per cent.

Although lower U.S. interest rates have renewed hopes of a reduction in London rates a note of caution continues to overhang the market ahead of the meeting of Opec ministers on July 5 and the next UK money supply figures on July 9.

UK clearing banks base lending rate 12½ per cent since June 12

Three-month sterling interbank declined to 12⅛-12⅛ per cent from 12⅜-12¼ per cent, and discount houses buying rates for three-month bank bills to 11⅞ per cent from 11⅞ per cent.

The Bank of England initially forecast a market surplus of £100m, but changed this to a shortage of £50m before lunch and to a shortage of £100m in the afternoon.

The authorities did not operate in the market in the morning and in the afternoon gave help of £93m through outright purchases of £92m bank bills in band 2 (15-33 days maturity) at 12¼ per cent; and £1m bank bills in band 4 (64-91 days) at 12 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £322m, while the renewal of Temporary facilities secured by gilt edged stock and export credits absorbed a net £20m. These were offset by Exchequer transactions adding £373m to liquidity and a fall in the note circulation of £45m.

The rate for one-month money applicable to the repurchase agreements on gilts and export credits was 12⅞ per cent.

In the afternoon the Bank of England also announced another temporary facility available to the banking system of up to £1bn from June 24 to July 31. This is to ease shortages caused by a call of £1.2bn on shareholders for the second instalment on British Telecom shares.

MONEY RATES

June 18	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.6	10¼	1⅞-1⅝	6⅞-7	5.96875	14⅞-15¼	5.85	12⅛-12⅜
One month	5.50-5.60	10⅛-10⅛	5⅛-5¼	6⅛-6⅛	6.21875	14⅝-15	8¾-9	12⅜-12⅝
Two months	5.55-5.70	10⅛-10⅛	—	—	—	—	—	12¼-12⅛
Three months	5.55-5.70	10⅛-10⅛	5⅛-5⅛	6⅛-6⅛	6.28125	15-15⅜	8¾-9	12⅛-12⅜
Six months	5.5-5.75	10⅛-10⅛	—	6⅛-6⅛	—	—	8⅞-9⅛	12⅛-12⅜
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 18 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11¼-13	12	11½-12½	1½-12	—	—	—	—	—
2 days notice	—	—	12¼-12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¼-12⅝	12⅜-12½	12⅛-12⅞	12⅜-12¼	—	—	—	—	—
One month	12⅞-12⅞	12⅛-12⅞	12½	12⅝	12⅜	12¼	12⅞	12¼	12⅞	12⅞
Two months	12⅛-12⅝	12⅛-12⅛	12⅜	12⅜	12¼	12⅛	12	12⅛	12⅛	12⅜
Three months	12⅜-12⅛	12⅛-12⅛	12⅛	12⅛	12	11⅞	11⅞	11⅞	11⅞	12⅛
Six months	11⅞-11⅞	12⅛-12⅛	12⅛	—	—	—	—	11⅞	11⅛	12⅛
Nine months	11⅞-11⅞	11⅞-12⅛	—	—	—	—	—	—	—	—
One year	11⅞-11⅞	11⅞-12	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅞-12⅞	—	12½	7.3-7.4	7⅛-7⅜	9⅞-9⅞
Two months	12¾-12½	—	12⅛	7.3-7.4	7⅛-7⅜	9⅛-9⅜
Three months	12⅝-12⅜	—	12⅝	7.3-7.4	7½-7⅝	9¼-9⅜
Six months	12⅛-12⅛	—	12⅛	7.4-7.5	7⅞-7⅞	9⅛-9⅜
Nine months	12⅝-12⅛	—	—	7.75-7.85	—	—
One year	12¼-12	—	—	7.85-7.95	7⅞-8⅛	9½-9⅝
Two years	—	11⅝	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11½	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.8224 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12½ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from June 10. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½-10
Broker loan rate	8-8¾
Fed funds	6¾
Fed funds at intervention	6⅞

Treasury Bills

One month	6.30
Two month	6.65
Three month	6.67
Six month	6.82
One year	6.99

Treasury Bonds

Two year	101⅞
Three year	101⅞
Four year	106¾
Five year	101⅞
Seven year	109¾
10 year	108⅞
30 year	109⅞

FT LONDON INTERBANK FIXING

(11.00 a.m. June 18)

Three months U.S. dollars	
bid 7 1/8	offer 7 1/8

Six months U.S. dollars	
bid 7 9/16	offer 7 11/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Upward trend

Interest rate contracts were very strong on the London International Financial Futures Exchange yesterday as hopes continued to grow of a cut in the U.S. Federal Reserve's discount rate later this week. This is expected to follow Thursday's flash estimate of U.S. second quarter gross national product, providing the figure confirms that growth in the period in question has not recovered strongly after a disappointing first quarter. An overnight rate of 7 per cent for Federal funds in New York added to the bullish mood of the market, and this was further encouraged when the rate fell to 6¾ per cent

Morgan Guaranty was quickly followed by other major banks in cutting its prime rate by ½ per cent to 9½ per cent, while the slowdown in economic growth received further confirmation by a fall of 13.7 per cent in May U.S. housing starts.

September Eurodollars closed at the day's high of 92.38 compared with 92.30 previously, after opening at 92.28. U.S. Treasury bonds for September delivery rose to 78-20 from 78-14, after opening at 78-18 and touching a peak of 78-33. Sterling denominated contracts were encouraged by the trend in U.S. instruments and by the strength of the pound

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	92.38	92.38	92.28	92.30
Dec	91.90	91.90	91.81	91.82
March	91.48	91.50	91.40	91.39
June	91.14	91.10	91.04	91.02
Sept	90.82	—	—	90.70

Est volume 5,341 (5,614)
Previous day's open int 16,830 (16,879)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	88.51	88.53	88.42	88.36
Dec	88.98	88.96	88.92	88.87
March	89.08	89.06	89.02	89.03
June	89.15	—	—	89.04

Est volume 1,450 (834)
Previous day's open int 6,045 (5,856)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	106-29	106-28	106-20	106-12
Sept	110-27	110-28	110-18	110-15
Dec	111.07	111-11	111-11	110-25
March	111-13	—	—	110-31

Est volume 1,975 (918)
Previous day's open int 3,316 (3,089)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −27 to −17 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.2810	1.2810	1.2710	1.2635
Dec	1.2677	—	—	1.2507
March	1.2585	—	—	1.2420

Est volume 235 (54)
Previous day's open int 4,182 (4,176)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3307	0.3307	0.3290	0.3278
Dec	0.3325	—	—	0.3298

Est volume 106 (23)
Previous day's open int 302 (279)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.3942	—	—	0.3898

Est volume 20 (1,059)
Previous day's open int 202 (179)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4052	0.4049	0.4049	0.4031

Est volume 1 (5)
Previous day's open int 262 (257)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	128.25	129.25	128.20	128.70
Sept	128.65	129.45	128.50	129.05

Est volume 270 (312)
Previous day's open int 1,980 (1,944)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	79-24	79-26	79-17	79-17
Sept	78-20	78-28	78-08	78-14
Dec	77-20	—	—	77-14

Est volume 845 (3,257)
Previous day's open int 2,759 (2,496)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	79-27	79-28	79-12	79-14
Sept	78-21	78-24	78-07	78-10
Dec	77-21	77-21	77-08	77-09
March	76-21	76-21	76-08	76-10
June	75-23	75-23	75-14	75-13
Sept	74-29	74-29	74-17	74-20
Dec	74-03	74-03	73-28	73-28
March	—	—	—	73-05
June	—	—	—	72-14
Sept	—	—	—	—
Dec	—	—	—	71-07

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.22	93.24	93.13	93.09
Dec	92.86	92.88	92.78	92.73
March	92.52	92.52	92.47	92.38
June	92.23	92.23	92.16	92.07
Sept	91.94	91.94	—	91.80
Dec	91.65	91.65	—	91.62
March	91.42	91.42	—	91.40
June	91.24	91.24	—	91.20

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	92.75	92.76	—	92.73
Sept	92.66	92.67	92.58	92.52
Dec	92.22	92.22	92.15	92.05
March	91.78	91.78	91.75	91.61

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	92.34	92.36	92.26	92.20
Dec	91.87	91.89	91.79	91.72
March	91.45	91.47	91.38	91.29
June	91.09	91.10	91.05	92.44
Sept	90.79	90.79	90.75	90.62
Dec	90.49	90.49	90.46	90.34
March	—	90.18	90.17	90.05
June	89.96	—	89.96	90.96

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.2785	1.2800	1.2750	1.2630
Dec	1.2665	1.2675	1.2635	1.2510
March	—	—	—	1.2250
June	—	—	—	1.2760
Sept	—	—	—	1.2505

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	77-00	77-00	76-28	76-25
Sept	76.12	76-14	76-08	76-05
Dec	75-21	75-21	75-16	75-14
March	—	—	—	—
June	—	—	—	74-13
Sept	—	—	—	74-01

Legal Notices

PIERRE JEAN PAUL LIMITED
(IN VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN, in pursuance to section 300 of the Companies Act 1948, that General Meetings of the Members and Creditors of the above-named Company will be held at the offices of Singla & Company, Chartered Accountants, New Broad Street House, 35 New Broad Street, London EC2M 1NH, on 24th June 1985 at 11.00 a.m. and 11.15 a.m. in the forenoon respectively, to receive an account showing how the winding-up of the Company has been conducted and its property disposed of and to hear any explanation that may be furnished by the Liquidator and to pass a Resolution as to the disposal of the Books, accounts and documents of the Company.

3rd June 1985.

S. K. SINGLA, F.C.A.,
Liquidator.

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1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99¾	97¼	Treas 8¾pcCnv '85	99¾	.....	8.83	12.59
101	99	Exch. 12¼pc 1985	100	.....	12.25	12.02
101	99	Exch. 11¾pc '86	99	.....	11.76	11.73
99½	97	Treas. 10pcCnv 1986	98¾	.....	10.13	11.57
94⅞	92¼	Treas 3pc 1986	94⅞	.....	3.18	9.54
100	97½	Exch. 10½pc Cv '86	97	.....	11.59	11.41
101⅞	99¼	Treas 12pc 1986	100	.....	11.93	11.36
97	94¼	Treas 8¼pc 1984-86‡‡	97	+1/16	8.73	11.30
105	102	Exch. 14pc 1986	103	+1/16	13.58	11.43
93¼	87¼	Exch. 2½pc 1986	92	+1/16	2.69	7.82
104	101¼	Exch. 13¼pc 1987	102	.....	12.90	11.37
99½	96¼	Treas 10¼pcCv '87	98	+1/16	10.43	11.36
91	85½	Exch 2½pc 1987	90	+1/16	2.75	8.40
99	96¾	Exch. 10½pc 1987	98	+⅛	10.64	11.28
93¼	89	Funding 6½pc '85-87‡‡	93¼	.....	6.96	10.48
98½	95½	Treas. 10pc 1987	97¾	+⅛	10.23	11.29
90¼	84¼	Treas 3pc 1987	90¼	.....	3.33	8.30
102	99¼	Treas. 12pc 1987	101	+⅛	11.84	11.30
93¼	90¼	Treas 7¾pc 1985-88‡‡	93¼	–1/16	8.31	10.72
98⅞	95¼	Exch 10½pc '88	98	+⅛	10.69	11.23
96	93¼	Treas 9¾pc Cv '88	96¼	.....	10.14	11.31
85	80	Transport 3pc '78-88	85¼	+⅛	3.50	8.47
95⅞	91½	Treas. 9½pc '88	94⅞	+1/16	10.01	11.36
101¼	97½	Treas 11½pc 1989	100	+⅛	11.44	11.28
95	90¼	Treas 9½pc Cnv. '89	94½	+⅛	10.05	11.29
79	79	Treas 3pc 1989	79⅝	.....	3.77	9.34
98½	94	Treas 10½pc 1989	97	+1/16	10.76	11.27
96	92	Exch.10pc 1989	95⅝	+1/16	10.46	11.36
99	95	Exch 11pc 1989	98⅞	+1/16	11.13	11.30

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£46¼	£37	Anglo-Am Inv.50c	£43	...	Q590c	1.0	5.4
450	340	De Beers Df. 5c	413	+11	Q40c	4.7	3.8
700	575	Do. 40pc Pf. R5	575	...	Q200c	x	13.7
£11¼	745	Impala Plat. 20c	755	+10	Q135c	1.7	7.1
640	410	Lydenburg 12½c	540	−10	Q50c	♦	3.7
805	595	Rus. Plat. 10c	600	−5	†Q60c	1.8	4.0

Central African

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
180	150	Falcon Z50c	180		†100c	♦	29.6
14	12	Wankie Col. Z$1	13	...	†Q5c	3.6	20.9
19	13	Zam.Cpr.SBD0.24	14½	...	—	—	—

Finance

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
135	115	Abex Corp SA $1.50	115	...	Q7.5c	2.1	2.6
£21	£15⅞	Ang. Am. Coal 50c	£19½		Q195c	3.1	3.9
£11¼	940	Anglo Amer. 10c	£11⅛		Q135c	♦	4.8
£79	£65	Ang. Am. Gold R1	£68¾	+⅝	Q1025c	1.0	5.9
£35	£28	Anglovaal 50c	£35		†Q315c	3.8	3.9
208	180	Charter Cons. 2p	187	−1	11.0	1.1	8.4
33	24½	Clogau Gold 10p	29½		—	—	—
582	475	Cons. Gold Fields	543	+16	24.5	1.4	6.4
77	53	East Rand Con. 10p	71		11.5	♦	3.0
£10¼	875	Gencor R1	925		Q133c	1.2	5.7
£17¾	915	Gencor 40c	£12		Q190c	1.2	6.2
13½	11¼	Gold & Base 12½p	11½		—	—	—
£15¼	£10¾	Gold Fields S.A. 5c	£12¾	+½	†Q100c	2.0	3.1
£86	£67	Jo'burg Cons. R2	£85		Q750c	♦	3.5
950	750	Middle Wit 25c	875		†Q90c	1.8	4.1
780	530	Minorco $BD1.40	670		Q22c	1.4	1.3
508	369	New Wits 50c	464	−11	†Q50c	1.7	4.3
33	22	Rand London 15c	31		—	—	—
775	500	Rand Min. Props. R1	675		†Q65c	2.6	3.8
£32	£23	Trans Cons.Ld.R1	£32		†Q280c	2.6	3.5
115	80	Vogels 2½c	105		Q16c	♦	6.5

Australians

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
120	70	Colby Res Corp	90	...			
550	450	Cons. Murch. 10c	450	...	†Q100c	1.4	10.8
40	28	Ennex Int. Ir10p	38	...	—	—	—
215	157	Hampton Areas 10p	177	+2	3.75	2.1	2.8
260	155	Highwood Res	165	−3	—	—	—
£22¼	£18	Homestake Mining $1	£18¼	−⅛	Q20c	—	1.0
310	190	McFinley Red Lake	210	...	—	—	—
300	195	Musto Explorations	250	+20	—	—	—
55	23	New Sabina Res C$1	42		—	—	—
375	260	Northgate C$1	262	−13	—	—	—
685	570	RTZ	578	+5	20.0	2.7	4.9
£145½	£125½	Do. 9½pcLn '95-2000	£127	+1½	Q9½%	14.0	7.7
£14½	£10	Tara Expln $1	£11	−⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1985. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	100	.....	Arnott	175	...
Craig & Rose £1	908	.....	CPI Hldgs	50	...
Finlay Pkg. 5p	61	...	Carrol Inds.	125	+1
Higsons Brew	238	+3	Dublin Gas	53	.....
Holt (Jos) 25p	750	...	Hall (R & H)	59	+1
IoM Stm. £1	78	...	Heiton Hldgs	16	.....
IRISH			Irish Ropes	45	...
Fund 11¼% 1988	£97¼	...	Jacob (W & R.)	80	.....
Nat. 9¾% 84/89	£92¼	+⅛	Unidare	85	.....
Fin. 13% 97/02	£102¼	+½			

"Recent Issues" and "Rights" Page 36

For Options see Unit Trusts

LONDON STOCK EXCHANGE

MARKET REPORT

Cash shortages again limit turnover but gilts respond to rise in sterling

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 3	June 13	June 14	June 24
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Cash shortages continued to restrict business in London markets yesterday and, although the undertone remained firm, only Gilt-edged securities recorded any appreciable change. Several pointers emerged to encourage potential investors in the latter area including a strong exchange rate, which mainly reflected renewed dollar weakness, and widespread speculation of lower U.S. interest rates.

A major U.S. bank followed Southwest St. Louis by cutting the rate charged to prime borrowers by ½ per centage point to 9½ per cent. Hopes were also high that the Federal Reserve would soon reduce its discount rate in order to stimulate a flagging economy; the "flash" forecast of GNP will be released tomorrow afternoon.

With some operators taking time off for the start of Royal Ascot, demand for Gilt-edged stocks was insufficient to test the authorities' tap levels. Late in the session, however, partly-paid Treasury 10 per cent 2004 edged up to 30¼, the price the Government broker is assumed to be a seller, if bid. Longer-dated Gilts finally achieved gains extending to ⅜ but the shorts improved only marginally on the day. In contrast, index-linked issues remained out of favour and gave a little more ground.

Most leading equities were content to consolidate around the overnight prices as investors held off in front of tomorrow's debut of Abbey Life. The generally subdued trading conditions were in part attributed to Wall Street's negative performance on Monday and the session was relieved only by a flurry of bid speculation in Allied Lyons and Distillers. The former were again heavily traded and rose to 221p before closing a net 6 up at 214p; **Hanson Trust** and **Anheuser-Busch** were mentioned as possible bidders but dealers regarded both as unlikely contenders.

Long considered a prime takeover target, **Distillers** spurted 13 to 299p, after 303p, on thoughts that, in the light of the **Arthur Bell** situation, the shares were worth a re-rating. **Grand Metropolitan** meanwhile benefited from talk that **Liggett and Myers** was about to raise prices for generic cigarettes in the U.S. The combined strength of these three stocks supported the FT Ordinary Share Index throughout the official trade but in the after-hours' business the index moved lower to close 2.5 down on balance at 985.8.

Midland Bank rise

Midland claimed most attention among the clearing banks, rising 15 to 373p on vague rumours of a bid from Hanson Trust. **Barclays**, however, softened 4 to 373p with sentiment seemingly unsettled by news of a senior official's dismissal.

Stockbrokers Wood Mackenzie's optimistic review of Composite Insurances attracted buyers to the sector and gains ranging to 7 were soon recorded. Later, prices drifted back on lack of follow-through support and sporadic profit-taking to close easier for choice. **Sun Alliance**, for example, retreated from an initial 465p to finish 5 down at 455p, while **Royals** ended 3 off at 680p, after 690p.

Arthur Bell attracted yet another active two-way business, closing 3 cheaper at 270p—still 40 above the hostile share-exchange bid from Guinness. Fellow distillers **Invergordon** rose 4 more to 135p. Breweries gained ground, partly reflecting the current interest in Allied-Lyons. **Whitbread A** rose 4 to 225p, after 227p, while **Bass** touched 549p before closing only 2 firmer at 545p. Among Regionals, **Mansfield** eased a couple of pence to 367p following the annual profits downturn.

Price movements in the leading buildings were restricted to a few pence in either direction. **Redland** slipped back 5 to 273p, as did **Taylor Woodrow**, 395p; the latter's "new" shares eased 3 to 25p premium. **Meyer International** touched 145p immediately following the preliminary results and increased dividend, but subsequently eased back to close unchanged at 143p. **Countryside Properties** jumped 10 to a year's best of 242p in the wake of the sharply higher interim profits and increased dividend, while good results boosted **Berkeley Group** 8 to 164p. Speculative support lifted **Bett Brothers** 5 to 59p and **Galliford** 3 to a 1985 high of 78p.

ICI drifted on lack of interest and settled 3 cheaper at 743p. Elsewhere in Chemicals, revived demand prompted a 7 gain in **Wardle Storeys**, 193p.

Stores up again

Speculative stocks again showed to good advantage among otherwise idle secondary stores. **Body Shop International** advanced 30 for a two-day gain of 50 at 725p, while **Our Price** improved a similar amount to 570p. Takeover rumours stimulated fresh demand for **Dunhill**, 15 better at 330p, and buyers also displayed interest in long-time bid favourites **Peters**, 9 up at 83p and **James Beattie A**, 7 better at 82p. **Castle (GB)** attracted late support and finished 6 higher at 22p. **Stead and Simpson A**, often mentioned as a possible target for acquisition-minded **Ward White**, spurted 15 to 218p; the former's preliminary figures are expected on Friday. **Steinberg** hardened a few pence to 71p despite the reduced annual profits. Leading Retailers were again generally content to hover around opening levels, with the exception of **Marks and Spencer**, 3 to the good at 134p.

Footwear and leather counters featured renewed demand for **Strong and Fisher** which touched 142p before settling 10 higher on balance at 140p.

Apart from **British Telecom**, which improved 3 to 186p in anticipation of today's preliminary results, leading Electricals turned down again. The absence of fresh support after Monday's encouraging start to the new Account saw **Plessey** drift 2 easier to 130p and **GEC** 4 cheaper to 170p. **Thorn EMI** lost 8 at 425p, while **Philips Lamps**, still reflecting the profits warning, dropped ¼ more to £11½. Secondary stocks were featured by renewed weakness in **BSR**, which dropped 8 to a 1985 low of 60p. **Microvitec**, on the other hand, jumped 11 to 66p on news of the £4m ICL contract. **Oxford Instruments** moved up 5 to 292p following comment on the results and **Atlantic Computer** rallied 10 to 335p.

Takeover favourite **TI** continued to figure prominently in Engineerings, rising to 280p before closing a net 4 better at 276p. Awaiting further bid developments, **United Wire** advanced 11 to 193p, while **Birmid Qualcast** improved a penny to 90½p, after 92½p, amid vague suggestions of a bid from Metal Box. **Birmingham Mint** rose 10 to 235p following details of the £12m Indian coin contract which, in turn, brought a sympathetic gain of 5 in **Acsis Jewellery** to 27p. **Babcock** moved up 5 to 150p in reply to Press comment and **John Brown** hardened a couple of pence to 31p. **APV**, at 290p, and **Edbro**, at 161p, moved up 8 and 6 respectively, but **Tex Abrasives** succumbed to further profit-taking and dropped 5 to 88p. Leading issues drifted easier and **Hawker** closed 4 off at 446p and **Vickers** 5 down at 287p.

Revived hopes of a reduction in mortgage rates and consequent increase in disposable income gave a fillip to Foods. **Tesco** advanced 5 to 250p, while **Argyll**, 312p, and **William Morrison**, 124p, both hardened a few pence. **Unigate** closed 5 up at 176p following a "buy" recommendation from brokers de Zoete and Bevan in the wake of the excellent preliminary figures. **Avana**, on the other hand, shed 10 more to 615p reflecting continued disappointment with the full-year results. **Northern Foods**, 240p, and **Fitch Lovell**, 202p, added 4 apiece in front of annual results due today and tomorrow respectively.

Extel jump

Extel were outstanding among secondary miscellaneous industrials, rising 22 to 355p in response to Monday's late announcement that Dr Ashraf Marwan of Monte Carlo has acquired a 5 per cent stake in the company and intends to increase it. The appointment of Mr Peter Le Mesurier as financial controller prompted a rise of 7 to 90p in **Johnson Matthey**, while **Ricado** advanced 10 to 100p on a broker's upgraded profits forecast. Impressive trading statements helped **Associated Energy Services** rise 5 to 57p and **Platon International** put on 8 to 153p, while **Duport** gained 4 to 44p to the accompaniment of vague takeover rumours. Revived speculative support lifted **Christies International** 11 to 263p and **Cope Allman** 7 to 178p. **Sunlight**, however, fell 7 to a 1985 low of 203p on the proposed £7.4m rights issue, while **J. H. Fenner** reflected disappointing first-half profits with a fall of 10 to 125p. Profit-taking after the recent good rise on Falmouth development hopes left **A. and P. Appledore** 10 down at 360p. **Ecobric** were quoted ex the rights issue at 20p, down 7, with the Deferred shares 5 easier at 17p. Interest in the leaders was at a low ebb and **Hanson Trust** finally eased 5 at 193p as did **BTR** to 357p.

BL rose 6 to 39p following the Government sanction of a second joint venture with Honda. Elsewhere in Motors, **Lucas Industries** touched a new high of 340p, but later eased to 335p, a net loss of 2.

The favourable reception afforded the proposed merger stimulated another lively business in **Nottingham Manufacturing**, which attained a new peak of 272p before closing 12 up on balance at 268p, and **Vantona Viyella**, 21 higher at 365p, after 370p.

Oils better

Dealers reported a much healthier trend in the recently unsettled oil sector. The leaders, having shrugged off Monday's news of an oil price cut by Mexico and the oil price warning issued by the Saudi Arabian oil minister, edged higher throughout the session helped by U.S. support and "cheap" buying.

BP and **Shell** closed with marginal gains at 528p and 685p respectively, but **LASMO** rose 5 to 252p and **Britoil** added a few pence at 217p, after 219p. **Tricentrol** returned to favour, amid revived speculation of a full bid from Enterprise Oil, and touched 223p prior to closing a net 10 to the good at 217p.

Secondary issues showed **British Borneo** a like amount better at 325p and **New London Oil** 12 up at 145p. **Falcon Resources**, on the other hand, dipped 5 to 80p and **Caledonian Offshore** lost 10 to 635p.

Rumours that Australia's **Bell Group** is about to launch a full bid for **Bridge Oil** saw the latter improve 2 to 122p; **Bell Resources** ended the day 5 cheaper at 340p.

Golds gain ground

Hopes of an imminent cut in the U.S. Federal Discount Rate prompted a strong performance from the bullion price which improved throughout the day to close $5.5 highe at $324.75 an ounce—its best closing level since mid-March.

South African Golds got off to an indifferent start but gradually regained confidence in the wake of bullion's firm showing. Overseas buyers took advantage of the downturn in the dollar and demand gathered momentum after-hours when dollar prices were showing substantial gains. Sterling quotations were higher but gains here were restricted by the shap rise in the UK currency.

The Gold Mines index ended the day with a 5.2 improvement at 436.8. Among the heavyweights **Southvaal** featured with a £1½ gain at £33¾, while rises of around ½ were common to **Randfontein**, £76½, **Vaal Reefs**, £70¾, and **St Helena**, £13¾.

Buying of Golds spilled over into the Financials sector where **De Beers** remained a Johannesburg favourite and put on 11 more to 413p—a two-day improvement of 16. "**Amgold**" settled ½ higher at £68½ and **Goldfields of South Africa** rose ½ to £12¾.

UK issues showed **Consolidated Gold Fields** a strong market and finally 16 to the good at 543p. **Rio Tinto-Zinc** attracted persistent support and hardened 5 to 578p. **Hampton Areas**, scheduled to report preliminary results on June 26, added a few pence at 177p.

Platinums were generally firmer with **Impala** 10 better at 755p.

Australians remained in the doldrums. Yet another indecisive performance by overnight Sydney and Melbourne markets saw the sector open a shade easier in London. Thereafter business was reduced to a trickle until the mid-afternoon when the upturn in bullion prompted light support throughout the list. **Gold Mines of Kalgoorlie** picked up to close 10 harder at 435p and **North Kalgurli** rose 2 to 40p but **Central Norseman** and **Poseidon** ended the day a fraction easier on balance at 378p and 178p respectively.

In the more speculative issues **Windsor Resources** continued to attract support and put on 3 more to a year's high of 33p.

Traded Option volume remained disappointingly low. Total contracts struck yesterday amounted to only 4,949 comprising 2,962 calls and 1,987 puts. The FT-SE 100 index contract contributed 282 calls and 231 puts. Elsewhere, **British Telecom** headed the list, attracting 375 calls and 509 puts, 410 of the latter transacted in the November 170's.

FINANCIAL TIMES STOCK INDICES

	June 18	June 17	June 14	June 13	June 12	June 11	year ago
Government Secs.	81.86	81.73	81.66	81.45	81.66	81.58	79.30
Fixed Interest	86.25	86.18	86.12	86.11	86.15	86.10	83.00
Ordinary	985.8	988.3	979.1	977.0	984.0	998.4	832.2
Gold Mines	436.8	431.6	436.8	429.6	426.6	424.4	656.0
Ord. Div. Yield	4.70	4.69	4.72	4.72	4.69	4.62	4.76
Earnings, Yld.% (full)	11.75	11.72	11.81	11.80	11.72	11.58	11.05
P/E Ratio (net) (*)	10.39	10.42	10.34	10.35	10.42	10.54	10.86
Total bargains (Est.)	22,656	23,331	23,567	21,181	21,161	22,092	19,364
Equity turnover £m.	—	323.24	640.56	[illegible]	[illegible]	[illegible]	255.44
Equity bargains	—	20,405	22,861	19,043	17,765	[illegible]	14,733
Shares traded (ml)	—	172.1	234.2	[illegible]	[illegible]	[illegible]	119.7

10 am 991.1. 11 am 989.2. Noon 990.8. 1 pm 989.5. 2 pm 988.8. 3 pm 988.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.06.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (15/4)	78.02 (25/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.38 (4/6)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	928.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	421.9 (18/6)	734.7 (15/2/83)	43.5 (26/10/71)

	June 17	June 14
Daily Gilt Edged Bargains	125.9	138.4
Equities Bargains	132.2	148.1
Equities Value	663.3	1294.7
5 day Average Gilt Edged Bargains	131.0	137.9
Equities Bargains	126.2	123.7
Equities Value	823.1	814.7

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	73	11	24
Corpns. Dom. and Foreign Bonds	25	2	49
Industrials	278	257	919
Fin. and Props.	99	106	348
Oils	22	41	64
Plantations	0	6	12
Mines	51	32	96
Others	29	115	80
Totals	577	570	1,592

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied-Lyons	214	+ 6
Birmid Qualcast	90½	+ 1
Body Shop Intl.	725	+30
Distillers	299	+13
Dunhill	330	+15
Evered	236	− 8
Grand Metropolitan	292	+ 7
New London Oil	145	+12
Notts Manufacturing	268	+12
Strong and Fisher	140	+10
Vantona Viyella	365	+21
Whitbread A	225	+ 4

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Notts Manfg	21	256	+34
Boots	18	198	+10
Royal Insce	17	683	+18
Vectis Stone	16	54	+14
Appledore A&P	13	370	+14
Chmbrlain Phps	13	79	− 6
Beecham	12	343xd	+ 4
Bell (Arthur)	12	273	+10
Hanson Trust†	12	12pm	—
ICI	12	746	+ 6
Pilkington Bros	12	298	+15
Westland	12	116	−11
BTR	11	362	+ 7
Lucas Inds	10	337	+ 4

† Nil-paid

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 10	June 21	Sept 12	Sept 23
June 24	July 5	Sept 26	Oct 7
July 8	July 19	Oct 10	Oct 21

For rate indications see end of Share Information Service

Money was given for the call of French Kier, Plessey, Sun Oil Royalties, Bula, Sangers, Combined Technologies, A. Goldberg, Headlam Sims and Coggins, Vosper, John Brown, Greycoat City Offices, Lamont, Intervision and Thorn EMI. A put was taken out in Terrex, but no doubles were reported.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues June 18 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon June 17 Index No.	Fri June 14 Index No.	Thur June 13 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	522.51	−0.6	10.69	4.34	11.70	7.45	525.86	521.25	526.85	487.41
2	Building Materials (23)	517.35	−0.3	12.64	5.05	9.72	7.06	519.14	513.62	519.38	451.35
3	Contracting, Construction (29)	753.79	+0.3	13.31	5.47	9.70	16.49	751.63	749.88	756.39	654.81
4	Electricals (14)	1426.03	+0.3	11.02	5.10	11.46	28.54	1422.12	1427.87	1443.14	1554.21
5	Electronics (37)	1418.03	−1.5	10.48	3.61	12.39	14.10	1439.80	1423.21	1431.13	1717.54
6	Mechanical Engineering (63)	301.17	—	10.60	4.63	11.49	5.00	301.27	299.98	304.42	246.34
8	Metals and Metal Forming (7)	196.43	−0.3	12.64	7.74	9.90	3.71	196.98	195.15	196.84	186.46
9	Motors (17)	167.69	−0.1	12.89	5.03	9.63	3.15	167.94	166.09	166.85	123.44
10	Other Industrial Materials (17)	953.92	−0.9	7.38	3.40	16.26	12.77	962.15	950.40	959.51	635.99
21	CONSUMER GROUP (178)	660.85	+0.3	9.77	3.88	12.63	9.93	658.54	653.72	655.21	500.75
22	Brewers and Distillers (23)	616.57	+1.7	11.15	4.52	11.20	8.38	606.21	598.33	596.15	525.25
25	Food Manufacturing (20)	500.05	+0.3	12.20	4.90	10.37	10.27	498.75	494.19	500.48	374.97
26	Food Retailing (14)	1563.05	+0.4	5.61	2.56	23.60	12.87	1556.83	1545.84	1559.59	1133.20
27	Health and Household Products (9)	1063.66	−0.7	6.20	2.77	18.98	10.89	1070.84	1070.47	1071.39	784.75
29	Leisure (23)	663.92	−0.6	8.95	4.90	14.62	13.38	667.89	665.77	670.83	592.20
32	Newspapers, Publishing (12)	1789.69	−0.1	7.31	4.29	17.58	35.22	1791.71	1782.38	1792.50	1329.81
33	Packaging and Paper (14)	336.98	—	11.25	4.19	10.08	5.93	336.86	337.60	337.85	233.97
34	Stores (41)	633.76	+0.7	7.89	3.31	17.16	8.96	629.51	622.76	620.96	445.82
35	Textiles (19)	341.33	+1.4	16.59	4.63	6.91	6.38	336.47	329.75	328.66	261.90
36	Tobaccos (3)	838.96	−0.3	17.68	5.12	6.34	17.44	841.23	838.93	841.77	632.66
41	OTHER GROUPS (98)	683.04	+0.2	8.97	4.08	14.06	6.70	681.48	679.59	681.10	436.16
42	Chemicals (17)	744.62	−0.3	13.97	4.99	8.85	15.37	746.74	741.31	745.72	576.39
44	Office Equipment (4)	178.89	—	7.36	4.70	16.85	3.58	178.83	176.48	179.60	122.58
45	Shipping and Transport (12)	1125.26	+0.2	8.11	4.67	16.20	25.43	1123.15	1118.69	1123.42	852.98
46	Miscellaneous (63)	844.86	−0.7	7.36	3.69	16.60	9.94	850.83	845.92	853.66	606.79
48	Telephone Networks (2)	852.23	+1.1	7.85	3.78	16.62	0.70	842.61	844.54	839.89	0.0
49	INDUSTRIAL GROUP (483)	637.77	+0.1	9.78	4.05	12.73	8.56	637.31	633.20	635.73	491.75
51	Oils (17)	1131.55	+0.3	16.50	7.36	7.45	37.73	1127.89	1111.13	1119.25	1066.03
59	500 SHARE INDEX (500)	679.30	+0.1	10.66	4.48	11.65	10.89	678.59	673.46	676.44	539.91
61	FINANCIAL GROUP (113)	469.91	—	—	5.33	—	9.56	469.65	467.29	469.42	363.07
62	Banks (6)	465.10	+0.1	16.65	7.44	8.57	11.71	464.54	462.98	462.15	343.98
65	Insurance (Life) (8)	748.20	−0.5	—	4.24	—	14.71	752.22	753.68	754.89	462.91
66	Insurance (Composite) (7)	365.52	−0.4	—	5.34	—	8.53	366.95	360.84	361.24	275.21
67	Insurance (Brokers) (7)	1122.59	+0.1	8.25	3.67	16.22	20.10	1121.24	1121.07	1129.88	728.14
68	Merchant Banks (11)	226.54	+1.0	—	4.52	—	2.95	224.35	223.49	225.15	201.35
69	Property (50)	616.91	+0.3	6.03	3.75	22.29	8.04	615.13	612.84	620.22	564.69
70	Other Financial (24)	271.56	+0.8	9.20	6.01	13.24	6.67	269.48	269.12	272.58	237.41
71	Investment Trusts (106)	581.00	−0.1	—	3.54	—	8.52	581.63	581.83	588.40	471.82
81	Mining Finance (4)	280.06	+1.5	11.40	5.65	10.26	5.29	275.89	275.77	274.72	291.64
91	Overseas Traders (14)	647.48	+0.3	9.51	6.57	13.00	20.25	645.64	645.46	647.10	527.71
99	ALL-SHARE INDEX (737)	621.21	+0.1	—	4.60	—	10.44	620.53	616.44	619.30	494.54

	Index No.	Day's Change	Day's High	Day's Low	June 17	June 14	June 13	June 12	June 11	Year ago
FT-SE 100 SHARE INDEX	1284.0	−3.9	1287.9	1283.4	1284.4	1278.5	1275.5	1278.9	1291.4	1056.0

FIXED INTEREST

	PRICE INDICES	Tues June 18	Day's change %	Mon June 17	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	117.86	+0.09	117.75	—	5.34
2	5-15 years	128.96	+0.27	128.95	0.35	7.34
3	Over 15 years	135.12	+0.28	135.63	0.89	6.53
4	Irredeemables	146.18	+0.01	146.17	—	6.30
5	All stocks	127.76	+0.21	127.80	0.38	6.56
6	Debentures & Loans	109.23	+0.27	108.93	—	5.97
7	Preference	79.16	−0.11	79.24	—	3.30
	BRITISH GOVERNMENT INDEX—LINKED STOCKS					
8	All stocks●	110.35	−0.30	110.67	0.21	1.28

	AVERAGE GROSS REDEMPTION YIELDS		Tues June 18	Mon June 17	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.32	10.35	11.02
2		15 years	10.58	10.61	10.92
3		25 years	10.23	10.25	10.34
4	Medium Coupons	5 years	11.34	11.38	11.82
5		15 years	10.85	10.89	11.29
6		25 years	10.38	10.41	10.69
7	High Coupons	5 years	11.39	11.42	11.85
8		15 years	11.00	11.04	11.47
9		25 years	10.56	10.59	10.70
10	Irredeemables†		10.08	10.07	10.23
11	Debs & Loans	5 years	11.93	12.03	12.41
12		15 years	11.71	11.74	12.21
13		25 years	11.51	11.54	12.08
14	Preference†		12.43	12.42	12.92
15	Inflation rate	5%●	3.63	3.62	3.65
16		10%●	3.43	3.42	3.45

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p. ●Corrected figures for 17/6/85.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$300	21	30	10	38	—	—	$324.30
GOLD C	$320	104	15	7	22.50	3	29.50	"
GOLD C	$340	265	6.30	104	13	182	20	"
GOLD C	$360	71	1.70	29	8	—	—	"
GOLD C	$380	15	0.50	—	—	—	—	"
GOLD P	$280	10	1	18	3.50	—	—	"
GOLD P	$300	103	2.70	—	—	4	10	"
GOLD P	$320	108	7	3	12.30	—	—	"
		June		Sept.		Dec.		
SILVER C	$600	18	35	10	70	—	—	$636
S/FL C	Fl.340	30	4 A	—	—	—	—	Fl.343.20
S/FL C	Fl.345	25	1.10	1	10.20	—	—	"
S/FL C	Fl.355	71	0.10	310	5.90	—	—	"
S/FL C	Fl.365	—	—	31	3.10	2	6.30	"
S/FL C	Fl.370	—	—	20	2	—	—	"
S/FL C	Fl.375	—	—	13	1.60	—	—	"
S/FL P	Fl.325	68	0.06	—	—	—	—	"
S/FL P	Fl.330	32	0.05	—	—	—	—	"
S/FL P	Fl.335	1	0.10	510	7.10	8	12.50	"
S/FL P	Fl.340	104	[illegible]	7	10.20	1	14.20	"
S/FL P	Fl.345	34	3.20	270	12.30	—	—	"
S/FL P	Fl.350	120	7	3	15	—	—	"
S/FL P	Fl.355	18	12.50	—	—	—	—	"
S/FL P	Fl.360	51	17	—	—	—	—	"
S/FL P	Fl.365	252	21.50	—	—	—	—	"
S/FL P	Fl.370	12	27	—	—	—	—	"
S/DM C	D.M.325	—	—	500	3	—	—	DM304.40
S/DM P	DM.300	—	—	200	6.30	—	—	"
£/$ C	$125	20	4.20	—	—	—	—	$129.25
		Jul.		Oct.		Jan.		
ABN C	Fl.460	223	8	113	14.80	21	18.20	Fl.459.50
ABN P	Fl.440	122	2.40	125	8.50	5	11	"
AEGN C	Fl.95	26	5.60	234	8	—	—	Fl.99.70
AEGN P	Fl.100	10	1.90	32	4	22	6.50	"
AH C	Fl.240	10	1.20	22	5.60	15	8.80	Fl.230.50
AH P	Fl.220	10	1A	25	3	—	—	"
AKZO C	Fl.110	561	2.10	202	5.70	57	8	Fl.108.50
AKZO P	Fl.100	—	—	137	1.60	—	—	"
AMRO C	Fl.80	61	1.90	28	3.50 A	23	5	Fl.80.5
AMRO P	Fl.75	32	0.20	222	1.20	—	—	"
GIST C	Fl.190	10	2	14	5.80	—	—	Fl.186
GIST P	Fl.180	—	—	22	3.20	—	—	"
HEIN P	Fl.140	—	—	70	2	—	—	Fl.148
HOOG C	Fl.60	49	1.40 A	135	3.80	38	5.30	Fl.59.70
HOOG P	Fl.60	272	1	46	2.30	—	—	"
KLM C	Fl.60	308	1.80	213	3.60	323	4.70	Fl.59.80
KLM P	Fl.60	296	2.30	64	4.20	3	4.70	"
NEDL C	Fl.170	29	1.20	3	3.70	—	—	Fl.161.40
NEDL P	Fl.150	56	0.50	3	1.80	—	—	"
NATN C	Fl.72.50	11	0.30	720	1.30 A	—	—	Fl. 68.60
NATN P	Fl.65	167	0.50	582	1.50	6	2 B	"
PEO P	Fr.5909	10	150	24	340	—	—	Fr.5760
PETR P	Fr.5,500	—	—	14	430	—	—	"
PETR C	Fr.6,500	—	—	12	700	—	—	"
PHIL C	Fl.55	121	0.30	291	1.80	468	2.80	Fr.50.80
PHIL P	Fl.50	504	0.80	216	1.60	147	2.10	"
RD C	Fl.190	409	6	137	9.50	25	12.50	Fl.193.60
RD P	Fl.190	438	2.20	166	5.80	26	7.80	"
UNIL C	Fl.360	30	1	16	5.50	3	9	Fl.344
UNIL P	Fl.340	10	3 B	140	6	—	—	"

TOTAL VOLUME IN CONTRACTS: 19,326

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
§93	F.P.	28/6	106	104	✱Abbeycrest 10p	104	−2	42.5	2.5	3.4	16.5
172	F.P.	28/6	190	176	Asda Property 20p	178	...	u3.0	2.1	2.4	22.3
130	F.P.	24/7	134	126	Brent Walker 10p	128	+1	b3.5	2.6	3.9	11.9
375	200	10/9	253	195	British Aerospace 50p	195		13.65	3.1	5.3	6.8
§76	F.P.	5/6	88	80	✱Browns (C.) Car 10p	84	+1	bg2.6	3.4	4.5	14.9
165	F.P.	31/5	178	165	✱Clayform Props. 5p	165	...	bg7.6	2.1	6.5	10.4
¶¶	F.P.	12/7	12	11	Clive Discount Wrrts.	12	...	—	—	—	—
135	F.P.	21/6	135	111	Coloroll 10p	117	...	bg4.6	2.5	5.6	10.5
§70	F.P.	—	77	74½	✱Cranbrook Elect. 5p	77	+1½	b1.6	3.1	2.8	15.8
§84	F.P.	21/6	105	93	✱Datron Int'l. 5p	93	−4	u1.0	5.9	1.5	15.9
§117	F.P.	31/5	130	114	✱Electron House 10p	114	...	bg2.7	1.9	3.4	20.7
§300	F.P.	28/6	443	370	✱Holmes & March. 10p	380	−5	u3.5	4.1	1.3	26.6
§150	F.P.	7/6	208	165	✱Huntleigh Tech 5p	200	...	u1.6	3.6	1.1	31.6
140	F.P.	12/7	156	140	IBL 10p	142	+2	g1.8	5.3	1.8	16.0
§120	F.P.	7/6	189	148	✱Moorgate Group 5p	185	...	bg2.0	5.2	1.6	15.4
50	F.P.	26/7	50½	50	Nordic Inv. Trust 10p	50	...	—	—	—	—
41	F.P.	9/7	47½	40	✱Perkins (J.) Meats 10p	40	...	b.g1.6	2.0	6.4	10.5
100	F.P.	7/6	106	74	Prestwick 5p	74	...	u2.1	3.5	4.1	10.0
§138	F.P.	—	142	141	✱Prontaprint 10p	142	+1	b1.6	3.1	1.8	24.4
¶175	F.P.	7/6	205	175	✱Sherwood Com 10p	175	...	62.75	3.4	2.2	18.5
‖	F.P.	12/7	425	365	Sturge Hldgs 20p	365	−5	b6.0	2.4	2.3	23.3
§120	F.P.	26/6	125	103	✱Viewplan 5p	105	+2	u1.26	4.0	1.7	19.1
95	F.P.	12/5	115	96	✱Wold 5p	96	...	u2.5	2.7	5.3	12.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
‖	Nil	26/7	7ppm	4pm	Allebone 8¾% Cnv. Cum. Rd. Prf.	5ppm	...
.	Nil	2/8	8ppm	5ppm	Assoc. Brit. Eng. 8% Cum. Cnv. Rd. Prf.	6ppm	...
‖	Nil	2/8	2ppm	1ppm	Caparo Inds. 6% Cnv. Cum. Prf.	1ppm	−1
¶¶	F.P.	26/7	112	107	Cape Inds. 8.4% Cum. Cnv. Red. Pref.	112	+2
‖	Nil	—	3ppm	3ppm	✱Hunterprint 6½% Cnv. Cum. Red. Prf.	3ppm	...
‖	Nil	22/7	6pm	1pm	Kennedy Brookes 6¼% Cnv. Un. Ln. '02	2pm	+1
‖	F.P.	5/7	109p	106p	Lon. & Edin. 6¼% Conv. Cum. Rd. Prf.	106p	−2
90.705	£30	6/6	31¼	29¾	Malaysia 10¾% Ln. 2009	31⅛	+⅛
—	F.P.	—	100¼	100⅛	Nationwide Bldg. Soc. 12½% 9/6/86	100¼	+⅛
‖	F.P.	19/7	105p	100p	Russell (A.) 5.75% Cum. Cnv. Rd. Prf.	101p	—
94.895	£30	12/7	35⅝	30	Spain (Kingdom of) 11¼% Ln 2010	35⅝	+⅛
‖	F.P.	26/7	100⅛	100¼	Woolworth 8¼% Cnv. Uns. Ln. 2000	101	...

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
195	F.P.	16/7	216	196	Anchor Chemical	197	+1
▇	Nil	16/8	3pm	3pm	Ansbacher (H.)	3pm	...
Ir.0.46	Nil	—	1½pm	1½pm	‡‡Aran Energy 20p	1½pm	...
350	F.P.	5/7	405	372	Beazer (C.H.) 70p	394	+4
10	Nil	—	2pm	1½pm	✱Ecobric A £1	1½pm	...
190	Nil	9/8	55pm	50pm	Emess Lighting	50pm	...
220	Nil	26/7	19pm	5pm	English China Clays	6pm	+1
210	Nil	—	32pm	25pm	Evered	25pm	...
134	F.P.	11/7	160	154	✱Godwin Warren	157	−3
80	F.P.	26/6	93	85	✱Grosvenor Square 10p	88	+3
185	Nil	—	25pm	9pm	Hanson Trust	9pm	−3
120	F.P.	12/7	132	123	Suter 5p	123	...
370	Nil	—	30pm	17pm	Taylor Woodrow	25pm	−5
10	F.P.	12/7	40½	27	"The Times" Veneer	38	...
150	F.P.	12/7	211	176	Tomkins (F.H.) 5p	209	−1
2	Nil	22.7	1½pm	½pm	Willaire Systems	½pm	−¼

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (49)

BRITISH FUNDS (6)
Treas. 9pc '86-89 — Treas. 10pc 2004 (£30 paid)
Fndg. 5¼pc '87-91 — Treas. 7¾pc 2012-15
Fndg. 6pc 1993
Conv. 9¼pc 2001

INT. BK. & O'SEAS GOVT. STLG. ISS. (2)
N.Z. 11½pc 2014 — Sweden 13½pc Ln. '10

CORPORATION LOANS (1)
LCC 5¼pc 1985-87

BREWERS (3)
Allied Lyons — Bell (A.) 9½pc Cnv. 1999-2001
Clark (Matthew)

BUILDINGS (3)
Blockleys — Galliford
Countryside Props.

STORES (3)
Beattie (J.) A — Vantona Viyella
De Brett (Andre)

ELECTRICALS (1)
Electronic Machine

ENGINEERING (5)
BM Group — Edbro
Birmid Qualcast — Ransomes Sims
Camford Engineering

FOODS (2)
Callen's Stores — Unigate

HOTELS (1)
Garfunkels Restrnts.

INDUSTRIALS (10)
Bardsey — Mainmet
Duport — Morris (W.) Fine Arts
Erskine House — Oakwood
Grampian Hldgs. — Office & Electronic
Hestair — Pentland Inds.

INSURANCE (1)
Allianz Versich.

MOTORS (1)
Lucas Inds.

NEWSPAPERS (1)
Octopus Publishing

PAPER (3)
Crown Intl. Prods. — Usher Walker
Ferry Pickering

PROPERTY (1)
Regentcrest

TEXTILES (2)
Coats Patons — Nottingham Mfg.

TRUSTS (2)
Dualvest Cap. — M.&G. 2nd Dual Cap

MINES (1)
Windsor Res.

NEW LOWS (79)

AMERICANS (14)

CANADIANS (3)
Bow Valley — Massey Ferguson
Inco

BANKS (1)
First Pacific Hldgs.

ELECTRICALS (12)
BICC — Plasmec
BSR Intl. — Renishaw
Farnell Electronics — SCUSA Inc.
Motorola — Sarasota Technology
Multitone Elects. — Synapse Computer
Pericom — Wayne Kerr

FOODS (1)
Barr (A. G.)

INDUSTRIALS (15)
Assoc. Brit. Eng. — Neil & Spencer
Dover Corp. — Quotron Systems
Ecobric — Schlumberger
Do. Defd. — Sonesson (W.) AB
Electrolux — Sunlight Services
Falcon Inds. — V.W. Thermax
Flexello Castors — Vinten
Hanson Trust

LEISURE (1)
Grampian TV

MOTORS (1)
Genl. Motors Units

PROPERTY (2)
Intl. Inc. Property — York Mount

SHIPPING (1)
Fisher (J.)

TRUSTS (14)
Cambrian Genl. Cap. — New Tokyo Inv.
CJR Pacific Inv. — Stockholders Far East
Crescent Japan — Viking Resources
Drayton Far East — Abingworth
F. & C. Pacific Inv. — Berkeley Technology
Fleming Far East — Newmarket
Gartmore Inf. Fin. — Oceana Cons.

OILS (9)
Berkeley Explrtn. — Petrofina
Cons. Intl. Petrol. — Ranger Oil
Edinburgh Oil Gas — Sceptre Resources
Hunting Petroleum — Silkolene
Norsk Hydro

PLANTATIONS (1)
Cons. Plantations

MINES (4)
Grootvlei — CRA
Allstate Explrtn. — Malaysia Mining

LONDON TRADED OPTIONS

Option		Calls Jly.	Calls Oct.	Calls Jan.	Puts Jly.	Puts Oct.	Puts Jan.
B.P. (*526)	460	73	88	—	3	10	—
	500	35	53	67	6	15	22
	550	11	25	38	30	33	42
	600	1½	13	20	77	82	87
Cons. Gold (*542)	460	85	100	—	2	[illegible]	[illegible]
	500	47	64	75	6	[illegible]	[illegible]
	550	18	38	47	27	[illegible]	[illegible]
	600	5	15	25	67	[illegible]	[illegible]
Courtaulds (*144)	130	16	22	25	2	[illegible]	[illegible]
	140	8	14	18	4	[illegible]	[illegible]
	160	1½	5½	10	18	[illegible]	[illegible]
Com. Union (*223)	180	46	50	—	1½	[illegible]	[illegible]
	200	26	35	43	3	[illegible]	[illegible]
	220	14	23	31	8	[illegible]	[illegible]
	240	6½	13	19	21	[illegible]	[illegible]
G.E.C. (*172)	160	20	28	36	3	[illegible]	[illegible]
	180	9	16	22	12	[illegible]	[illegible]
	200	3	8	12	30	[illegible]	[illegible]
	220	2	4	—	50	[illegible]	[illegible]
Grand Met. (*290)	280	23	30	37	6	[illegible]	[illegible]
	300	10	20	27	18	[illegible]	[illegible]
	330	3	7	12	42	[illegible]	[illegible]

[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
LASMO (*255)	240	32	43	50	6	12	15
	260	20	28	37	17	20	25
	280	12	16	27	23	35	35
	293	8	13	—	45	46	—
	300	—	—	17	—	—	55

[illegible]

WORLD STOCK MARKETS

AUSTRIA

June 18	Price Sch%	+ or —
Creditanstalt	386	+5
Goesser	508	—17
Interunfall	1,900	+80
Laenderbank	377	+4
Perlmooser	670	+5
Steyr-Daimler	180	—17
Veitscher Mag	580	—30

BELGIUM/LUXEMBOURG

June 18	Price Frs.	+ or —
B.B.L.	2,015	—10
Banq. Int. A. Lux	6,020	
Bekaert B	5,960	—40
Ciment CBR	2,485	+30
Cockerill	223	—2
Delhaize	9,200	+50
EBES	3,040	+35
Electrobel	6,360	+10
Fabrique Nat	2,010	+10
GB Inno BM	4,680	—10
GBL (Brux)	1,925	+40
Gevaert	3,810	—15
Hoboken	5,450	—40
Intercom	2,820	+10
Kredietbank	9,000	
Pan Hidgs.	10,950	
Petrofina	5,750	—100
Royale Belge	11,900	—100
Soc. Gen. Banq	3,460	—40
Soc. Gen. Belge	1,850	+10
Sofina	7,160	+50
Solvay	4,400	—210
Stanwick Intl.	1,500	
Traction el	3,760	—30
UCB	5,160	—60
Wagon Lits	3,445	+45

DENMARK

June 18	Price Knr %	+ or —
Andelsbanken	303	+6
Baltic Skand	680	+5
CopHandelsbank	294	+5
D. Sukkerfab	475	
Danske Bank	316	+5
De Danske Luft	1,100	
East Asiatic	220	+2
Forenede Brygg.	890	
Forenede Damp.	145	+2
GNT Hldg	400	+5
I.S.S.B.	425	—4
Jyske Band	645	
Novo Ind	1,650	
Privatbanken	278	+4
Provinsbanken	347	+3
Smidth (F)	250	+1
Sophus Berend	1,040	
Superfos	418	+5

FRANCE

June 18	Price Frs.	+ or —
Emprunt 4½% 1975	1,602	—4
Emprunt 7% 1973	6,275	—5
Accor	274	+2
Air Liquid	657	—13
BIC	549	—1
Bongrain	1,939	—6
Bouygues	803	—18
BSN Gervais	2,510	+5
CIT-Alcatel	1,295	—15
Carrefour	2,170	+16
Club Mediter'n	520xc	+10
Cie Bancaire	642xc	—14
Cofimeg	292.5	+0.5
Damart	2,055	—43
Darty	1,410	+2
Dumez S.A.	670	—10
Eaux (Cie Gen)	677	—13
Elf-Aquitane	210	—2.5
Essilor	2,375	—5
Gen. Occidentale	720	—9
Imetal	105	—3
Lafarge Coppee	555	+1
L'Oreal	2,561	—34
Legrand	2,921	—28
Maisons Phenix	228	—12
Matra S.A.	1,863	—11
Michelin B	1,011	+1
Midi (Cie)	2,595	—45
Moet-Hennessy	1,960	+8
Moulinex	87.5	—0.5
Nord Est.	88.1	—1.4
Pernod Ricard	761	—5
Perrier	535	—3
Petroles Fra.	248.4	—3.6
Peugeot S.A.	401	—7
Printempt Aus	277	—6
Radiotech	316.5	—1.3
Redoute	1,420	+1
Roussl Uclaf	1,600	—5
Sefimeg	361	+1
Skis Rossignol	1,560xc	—11
Telemech Elect.	2,540	+40
Thomson CSF	524	—5
Valeo	218	+3

GERMANY

June 18	Price Dm.	+ or —
AEG-Telef.	133.3	+2.6
Allianz Vers	1400xr	+25
BASF	222.9	+3.5
Bayer	231.7	+4.2
Bayer-Hypo	342	+7
Bayer-Verein	373xd	+3
BHF-Bank	329.5	+9.5
BMW	425.5	+9
Brown Boveri	238	+12
Commerzbank	204.5	+7
Cont'l. Gummi	149.5	+3.5
Daimler-Benz	828.5	+11.5
Degussa	348	+9
D'sche Babcock	160	—3
Deutsche Bank	555.5xd	+14
Dresdner Bank	228.2xd	+7.9
GHH	159.9	+1.9
Hochtief	550	
Hoechst	224.5xd	+4.4
Hoesch Werke	111	—1
Holzmann (P)	479	+4
Horten	178.2	+0.2
Hussel	285.2	+5.2
Karstadt	231.5	+2.5
Kaufhof	248	+3.2
KHD	263	+2
Kloeckner	69	—1.5
Linde	486.5	+11.5
Lufthansa	199	—0.5
MAN	157	+1
Mannesmann	180	+3.5
Mercedes Hld	730	+12
Metallgesel	260	+1
Munech Rueck	1,940	+50
Nixdorf	627	+37
Porsche	1289	+29
Preussag	279.5	+3.5
Rhein West Elect	181	+9.8
Rosenthal	253.2	—2.8
Schering	478	+5.5
Siemens	580	—12.5
Thyssen	112.5	+0.5
Varta	228.5	+5
Veba	206	+3.5
V.E.W.	137.8	+2
Verein-West	328	+4
Volkswagen	312.5	+27.2

ITALY

June 18	Price Lira	+ or —
Banco Com'le	22,800	—180
Bastogi-IRBS	235	
B.I-invest	5,880	
Centrale	3,540	—61
Credito Varesino	4,270	
Fiat	3,555	+64
Finsider	70.2	
Generali Assicur.	50,300	+300
Italcementi	40800xa	+800
La Rinascenti	899	
Montedison	1,878	—27
Olivetti	6,550	
Pirelli Co	4,302	
Perelli Spa	2,680	+10
Snia BPD	2,984	—46
Toro Assic	17,010	
do Pref	12,300	—95

NETHERLANDS

June 18	Price Fls	+ or —
ACF Holding	216	+3
AEGON	99.7xc	+0.2
Ahold	230.5	—0.5
AKZO	108.3	+0.9
ABN	458.5	+3.5
AMEV	248.7	+0.7
AMRO	80.8	+0.8
Bredero Cert	171.5	
Bos Kalis Westm.	18.7	—1
Buehrmann-Tet.	90.6	—0.4
Calland Hldgs.	37	+0.5
Dordtsche Pet'm	172	+1.2
Elsevier NDU	120	+0.4
Fokker	127.5	+1
Gist Broades	185	—0.5
Heineken	148	+0.5
Hoogovens	59.7	—0.5
Int Mueller	49.8	+0.8
KLM	58.8	—0.1
Naarden	48.5	+0.5
Nat Ned Cert	68.6	+1.9
Ned M'd Bank	195	+3.5
Nedlloyd	161.4	—0.6
Oce Grinten	321	+1
Ommeren (Van)	28.7	+0.2
Pakhoed	62	+0.8
Philips	50.8	—0.4
Robeco	75.1	—0.2
Rodamco	139.5	—0.5
Rolinco	68.8	—0.1
Rorento	45.3	+0.1
Royal Dutch	193.6	+2.1
Unilever	344	
VMF Stork	198	+3
VNU	198.5	
West Utr Bank	104.5	

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

SWEDEN

June 18	Price Kronor	+ or —
AGA	365	—5
Alfa-Laval	185	
A'EA (Free)	325	—2
Astra (Free)	395	—7
Atlas Copco	101	—1
Cardo (Free)	259	
Cellulosa	118	+1
Electrolux B	247	—6
Ericsson	283	—1
Esselte	380	
Mo och Domsjo	152 xc	+3
Pharmacia	180	+1
Saab Scania Free	385	
Sandvik	370	+5
Skandia	287	—5
Skan Enski'da	47	—1.5
SKF	203	+3
St Kopparbergs	140	+1
Sven Handlesbn	149	—1
Swedish Match	185	—3
Volvo B (Free)	217	+1

SPAIN

June 18	Price Pts%	+ or —
Bco Bilbao	347	
Bco Central	323	—1
Bco Exterior	199	
Bco Hispano	162	+2
Bco Popular	334	—5
Bco Santander	344	
Dragados	140	—3.5
Hidrola	78.7	
Iberduero	90.5	+1.5
Petroleos	135	—2.7
Telefonica	122	—1.2

NORWAY

June 18	Price Kroner	+ or —
Bergens Bank	137	
Borregaard	436.5	—1.5
Christiania Bank	137	—0.5
DenNorske Cred	152	+1.5
Elkem	126.5	—3
Kvaerner	156	—2
Norsk Data	525xc	—2
Norsk Hydro	97.5	—2.5
Storebrand	263	—5

SWITZERLAND

June 18	Price Frs.	+ or —
Alusuisse	802	—8
Bank Leu	3,850	+40
Brown Boveri	1,745	—25
Ciba Geigy	3,090	—20
do. (Part Certs)	2,440	—25
Credit Suisse	2,685	
Elektrowatt	2,750	—10
Fisher (Geo.)	890	+8
Hoff-Roche PtCts	90,250	—125
Hoff-Roche 1/10	9,050	
Jacobs Suchard	6,100xr	+75
Jelmoli	2,280	+20
Landis & Gyr	1,830	+10
Nestle	6,125	+15
Oer-Buehrle	1,555	+5
Pirelli	336	—1
Sandoz (Br)	8,375	+75
Sandoz (PtCts)	1,395	+15
Schindler (Pt Cts)	850	—20
Sika	1,380	—50
Surveillance	4,580	+10
Swissair	1,230	+45
Swiss Bank	415	+4
Swiss Reinsce	11,300	—350
Swiss Volksbk	1,680	+10
Union Bank	3,995	+5
Winterthur	4,100	
Zurich Ins	24,875	—35

AUSTRALIA

June 18	Price Aust $.	+ or —
ANZ Group	4.45	+0.05
Alliance Oil Dev.	1.1	—0.05
Ampol Pet	1.8	+0.02
Ashton	1.0	+0.02
Aust. Cons. Ind.	2.46	+0.01
Aust. Guarantee	2.35	+0.05
Aust. Nat. Inds	2.38	+0.05
APM	2.7	
Bell Group	8.74	—0.06
Bell Res	6.54	—0.06
Bond Corp Hldgs	1.22	
Boral	3.22	—0.01
Bougainville	2.0	+0.02
Brambles Inds	4.5	+0.05
Bridge Oil	2.4	+0.05
B.H. Prop	6.06	—0.02
CRA	5.68	—0.08
CSR	2.75	+0.11
Castlemaine Tys.	5.72	—0.08
Coles (C.J.)	3.68	
Comalco "A"	1.95	
Consolidated Pet	0.36	
Costain Aust.	1.5	
Dunlop Olympic	2.16	
Elders IXL	2.92	—0.04
Energ Res	1.46	—0.02

AUSTRALIA (continued)

June 18	Price Aust.$	+ or —
Gen. Pro. Trust	2.25	
Hardie (James)	3.28	+0.02
Hartogen Energy	2.88	+0.05
Herald W'ytimes	4.1	—0.05
ICI Aust	1.85	
Jimberlana F.P.	0.31	
Kia Ora Gold	0.15	
Lend Lease	6.5	—0.1
MIM	2.71	—0.04
Mayne Nickless	2.92	—0.05
Myer Emporium	1.97	
Nat. Aust. Bank	4.15	—0.01
News	7.1xc	
Nicholas Kiwi	1.75	+0.02
North Bkn Hill	2.24	+0.02
Oakbridge	0.83	—0.01
Pancont'l	1.55	
Pioneer Conc	1.71	+0.01
Poseidon	3.37	—0.05
Queensland Coal	1.56	
Reckitt & Coln	3.45	—0.05
Repco	1.18	
Santos	5.58	+0.08
Smith (Howard)	4.72	+0.02
Thos. Natwide	1.9	+0.01
Tooth	5.8	—0.04
Vamgas	3.92	
Western Mining	3.7	—0.05
Westpac Bank	4.0	—0.03
Woodside Petrol	1.35	+0.02
Woolworths	2.75	+0.05
Wormald Intl	3.6	

HONG KONG

June 18	Price H.K.$	+ or —
Bank East Asia	22.2	+0.2
Cheung Kong	14.8	
China Light	14.4	—0.1
Evergo	1.08	+0.01
Hang Seng Bank	42.5	—1.75
HK Electric	7.4	—0.1
HK Kowloon Wh.	5.45	—0.1
HK Land	5.2	
HK Shanghai Bk.	7.3	
HK Telephone	88	—3
Hutchinson Wpa	23.0	
Jardine Math	10.5	
New World Dev.	6.35	—0.05
Orient O'seas	2.1	
Oseas Trust Bk.	3.15	
SHK Props	10.5	—0.1
Shell Elect.	1.25	
Swire Pac A	20.7	
TV—B	6.7	—0.05
Wheel'k Mard A.	7.25	
Wheel'k M'time.	1.10	
World Int. Hldns.	1.72	—0.08

JAPAN

June 18	Price Yen	+ or —
Ajinomoto	1,110	—20
Alps Electric	1,520	—50
Amada	929	—11
Asahi Chem	1,000	+5
Asahi Glass	880	+5
Bridgestone	552	+1
Canon	1,130	+20
Casio Comp	1,600	—50
Chugai Pharm	1,070	—20
Citizen	455	—10
Daiei	745	+5
Dai Nippon Ptg	1,120	—40
Daiwa House	679	+1
Ebara	421	+5
Eisai	1,300	—20
Fanuc	7,570	—170
Fuji Bank	1,600	
Fuji Film	1,650	+40
Fujisawa	952	—18
Fujitsu	1,030	
Green Cross	2,320	—70
Hasegawa	460	—13
Heiwa Real Est	935	+5
Hitachi	718	+8
Hitachi Credit	1,150	—20
Honda	1,300	
House Food	760	—2
Hoya	1,850	—30
Itoh (C)	444	+11
Ito. Yokado	2,630	+60
Iwatsu	850	—28
JACCS	351	
JAL	7,570	—130
Jusco	850	—5
Kajima	332	—1
Kao Soap	841	—1
Kashiyama	698	+3
Kirin	707	—7
Kokuyo	1,030	
Komatsu	471	—10
Konishiroku	685	—10
Kubota	360	+14
Kumagai	636	—4
Kyoto	4,100	—60
Maeda Const	604	+9
Makino Milling	980	—20
Makita	1,020	—10
Marubeni	355	+10
Marudai	656	—8
Marui	1,230	—10
MEI	1,400	—20
M'ta Elec Works	790	+1
M'bishi Bank	1,600	—10
M'bishi	690	+22
M'bishi Elect	392	+1
M'bshi Estate	825	—18

JAPAN (continued)

June 18	Price Yen	+ or —
MHI	336	+4
Mitsui	385	+19
Mitsui Estate	837	—29
Mitsukoshi	652	—7
NGK Insulators	808	—10
Nihon Cement	290	
Nippon Denso	1,250	—20
Nippon Elect	1,050	+10
Nippon Express	455	—2
Nippon Gakki	1,380	—50
Nippon Kokan	144	—1
Nippon Oil	999	+54
Nippon Seiko	515	—10
Nippon Shimpan	674	—4
Nippon Steel	166	—3
Nippon Suisan	380	+7
NTV	12,300	+300
Nippon Yusen	320	+9
Nissan Motor	621	—2
Nisshin Flour	532	—3
Nisshin Steel	178	—2
Nomura	1,210	+30
Olympus	1,140	—10
Orient Leasing	3,100	
Pioneer	1,790	—10
Renown	728	—3
Ricoh	929	+2
Sankyo	1,300	
Sanyo Elect	411	
Sapporo	475	—7
Sekisui Prefab	728	—3
Seven-Eleven	8,400	—100
Sharp	892	—5
Shimadzu	730	—13
Shionogi	909	+35
Shiseido	1,120	—10
Sony	3,950	—20
Stanley	815	—9
S'tomo Bank	1,900	+30
S'tomo Elect	772	—7
S'tomo Marine	716	—11
S'tomo Metal	156	—1
Taihei Dengyo	524	+5
Taisei Corp.	264	+1
Taisho Pharm	1,150	
Takeda	855	—11
TDK	4,520	—90
Teijin	478	+22
Teikoku	800	
Tokio Marine	920	—8
TBS	920	—5
Tokyo Elect Pwr	2,150	
Tokyo Gas	248	+6
Tokyo Sanyo	689	+14
Tokyo Style	932	+12
Tokyu Corp	444	
Toppan Print	865	—11
Toray	475	+10
Toshiba Elect	360	—2
TOTO	732	+9
Toyo Seikan	1,060	—30
Toyota Motor	1,210	
Victor	1,690	—20
Wacoal	710	
Yamaha	698	—7
Yamanouchi	2,970	—40
Yamazaki	850	—15
Yasuda Fire	555	+8
Yokogawa Bdge.	490	—10

SINGAPORE

June 18	Price $	+ or —
Boustead Hldgs.	1.60	+0.01
Cold Storage	2.47	
DBS	5.85	+0.05
Genting	6.05	+0.05
Haw Par. Bros.	2.19	
Hong Leong Fin.	2.85	—0.1
Inchcape Bhd.	2.35	
Keppel Shipyard	1.56	—0.01
Malay Banking	6.7	+0.05
Malay Utd. Ind.	2.44	+0.06
Multi Purpose	0.84	+0.01
OCBC	9.05	+0.05
OUB	3.14	+0.02
Public Bank	1.41	+0.06
Sime Darby	1.93	—0.01
Singapore Press	5.95	+0.05
Straits Trdg.	4.4	+0.02
Tat Lee Bk	2.68	—0.01
UOB	4.06	+0.04

SOUTH AFRICA

June 18	Price Rand	+ or —
Abercom	1.55	
AE&CI	8	+0.15
Allied Tech	58.0	
Anglo Am Coal	60	+2
Anglo Am Corp	29.25	+0.25
Anglo Am Gold	171	+1
Barclays Bank	18.9	
Barlow Rand	12.2	+0.2
Buffels	75.75	+1.5
CNA Gallo	2.7	—0.05
Currie Finance	4.2	
De Beers	10.55	+0.25
Driefontein	49.25	
FS Geduld	51	+3.25
Gold Fields SA	53	+1.5
Highveld Steel	4.65	+0.05
Nedbank	14.4	
OK Bazaars	16.50	
Protea Hldgs	2.35	
Rembrandt	38.0	
Rust Plat	15.65	+0.15
Safren	16.2	—0.25
Sage Hldgs	10	
SA Brews	8.25	+0.05
Smith (AG)	26.50	
Tongaat Hulet	6.7	
Unisec	5.10	

CANADA

TORONTO

Prices at 2.30pm. June 18

[illegible]

MONTREAL

Closing prices June 17

Sales	Stock	High	Low	Close	Chng
[illegible]					
3200	Power Corp	$27⅜	27¼	27¼	
1000	RollandA	$20½	20	20	—⅛
18348	Royal Bank	$30⅜	30⅛	30⅜	
1040	RoyTrstco	$21¼	20⅞	21¼	+¼
300	SteinbrgA	$40	39	40	

Total Sales 1,579,109 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 41

Stock		Sales (Hnds)	High	Low	Last	Chng
[illegible]						
WlkrTel		50	7	6⅞	7	
WshE	1.76	217	22½	22⅜	22⅜	+⅛
WFSLs	.80b	128	32⅜	32¼	32½	—½
WMSB		2289	14¾	14¼	14½	+¼
Waverk		12	7	7	7	
Webbs	.36	9	13¾	13½	13½	—¼
WestFn		274	14	13½	14	+½
WstFSL		225	14⅛	14⅛	14⅛	
WMicTc		10	5¾	5¾	5¾	—¾
[illegible]						

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Tr 11 3/4 03/07	£107½	+ ⅜
Acsis Jewel	27	+ 5
Allied-Lyons	214	+ 6
Assoc Energy	57	+ 5
BL	39	+ 6
Bett Bros	59	+ 5
Birmingh. Mint	235	+10
Consgold	543	+16
Countryside Prop	242	+10
Distillers	299	+13
Duport	44	+ 4
Extel	355	+22
Grand Met	292	+ 7
Johnson Matthey	90	+ 7
Microvitec	66	+11
New London Oil	145	+12
Nottingham Man	268	+12
Peters Stores	83	+ 9
Ricardo Cons	100	+10
Strong & Fisher	140	+10
Tricentrol	217	+10
Utd Wire	193	+11
Vantona Viyella	365	+21

FALLS

BSR Int	60	— 8
Fenner (JH)	125	—10
Hanson Trust	193	— 5
Sunlight Service	203	— 7

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

New York Active Stocks

[illegible]

TORONTO

[illegible]

	June 18	June 17	June 14	June 13	1985 High	1985 Low
AUSTRALIA All ord. (1/1/80)	840.2	841.5	848.4	847.0	904.5 (20/5)	715.5 (7/1)
Metals & Mnls. (1/1/80)	495.5	498.5	495.8	498.7	588.5 (20/5)	382.5 (7/1)
[illegible]						

** Saturday June 15: Japan Nikkei-Dow 12,753.38. TSE 1,009.83.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Prices at 3pm, June 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.6	14	30	18⅛	18	18⅛	+⅛
18¼	9⅜	AGS			11	724	13⅞	13½	13½	−⅜
16½	9⅝	AMCA				30	10¾	10½	10½	−⅛
21½	13¾	AMF	.50	2.7	56	2721	18¾	18⅝	18⅝	+⅛
51⅝	50	AMF pf	4.91e	9.6		10	51⅝	51⅜	51⅝	+1⅝
48⅛	24¼	AMR			10	4227	44½	43⅝	44⅜	+⅞
22⅞	18⅝	AMR pf	2.18	9.9		15	22⅜	22⅛	22⅛	−⅛
25⅞	22⅞	ANR pf	2.67	11.		104	23½	23⅜	23⅜	−¼
14¼	7¾	APL				14	8½	8½	8½	−⅛
61⅛	44⅝	ASA	2	3.9		525	51¼	50	51	+1½
27	12⅝	AVX	.32	2.5	10	43	12⅞	12¾	12⅞	+⅛
26⅞	16	AZP	2.72	10.	8	2122	26¾	26½	26½	−¼
57¼	36¾	AbtLab	1.40	2.5	16	1892	56¾	55⅞	56¾	+¾
25⅞	17⅞	AccoWd	.50	2.2	17	54	22¾	22⅝	22¾	+⅛
24¾	12½	AcmeC	.40	2.6		59	15⅞	15¼	15⅝	+⅛
10½	7⅝	AcmeE	.32b	4.0	10	15	8	8	8	
17½	15	AdaEx	1.92e	11.		33	17⅝	17⅛	17⅝	+¼
20	11⅞	AdmMl	.32	2.1	6	64	15½	15¼	15½	+¼
19½	8⅝	AdvSys	.53t	4.9	17	295	11	10¾	10⅞	
41⅛	23	AMD			10	3495	23⅞	d22¾	23	−½
12¾	6⅞	Advest	.12	1.4		142	9	8⅝	8⅞	+⅛
14⅝	9	Aerflex			12	22	12¾	12½	12⅝	−⅛
47	27¼	AetnLf	2.64	5.8	33	1949	46¼	45¾	45⅞	
57⅞	52⅞	AetL pf	5.79e	11.		126	54⅞	54½	54⅞	+⅛
37⅞	17⅞	Ahmns	1.20	3.2	15	1927	37	36½	37	+¼
3⅜	2½	Aileen				10	2⅞	2⅞	2⅞	
54	36⅝	AirPrd	1.20	2.3	12	388	53	52½	52¾	+¼
24⅜	13	AirbFrt	.60	3.0	11	272	20⅜	20	20	−¾
2	1	AlMoa s				3142	1¾	1⅝	1¾	
28¼	21	AlaP pf	2.92e	10.		351	28	27⅞	27⅞	−⅜
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Prices at 3pm, June 18

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅞	Roper	.64	4.3	17	96	15	14⅝	15	+⅝
35⅛	24	Rorer	1.12	3.3	16	385	34	33⅝	33⅝	+⅛
13	8¼	Rowan	.12	1.5	43	738	8⅜	d	8⅛	8⅛
60⅛	41¼	RoylD	3.07e	5.4		5386	57⅜	56⅛	57⅛	+1⅜
22	13¼	RoyInt s			18	398	14⅝	14¼	14⅝	+⅛
51¾	35⅛	Rubrmd	.84	1.7	18	173	50	49⅝	49⅝	−¼
36	14¾	RussBr			14	183	21	20⅝	20⅞	+⅛
19⅜	15⅜	RusTog	.76	4.1	9	2	18¾	18½	18¾	+¼
28½	18½	RyanH	1	3.6	15	57	27½	27¼	27½	+½
28½	19⅝	Ryder s	.60	2.2	10	838	27¼	26⅝	27	+¼
26¾	12½	Ryland	.60	2.3	16	463	25¾	25½	25⅝	+⅛
17¼	8½	Rymer			5	38	17¼	17	17	−¼
52⅞	20⅞	Trchmk	1	2.1	13	309	46⅞	46¼	46⅞	+⅞
17⅛	10	ToroCo	.40	2.8	9	58	14½	14⅛	14½	+⅛
3⅛	1	Tosco				809	2¾	2⅝	2¾	+⅛
19¼	8¼	Towle				12	8⅞	8⅞	8⅞	−⅛
11	6	Towle pf	.44	7.3		25	6	6	6	
40⅜	25¼	ToyRU s			29	1219	38⅜	37⅞	38	−⅛
28¼	17½	Tracr s	.32	1.3		899	25½	24⅝	24⅝	−1
20¾	7⅞	TWA			77	1108	19½	19¼	19¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 18

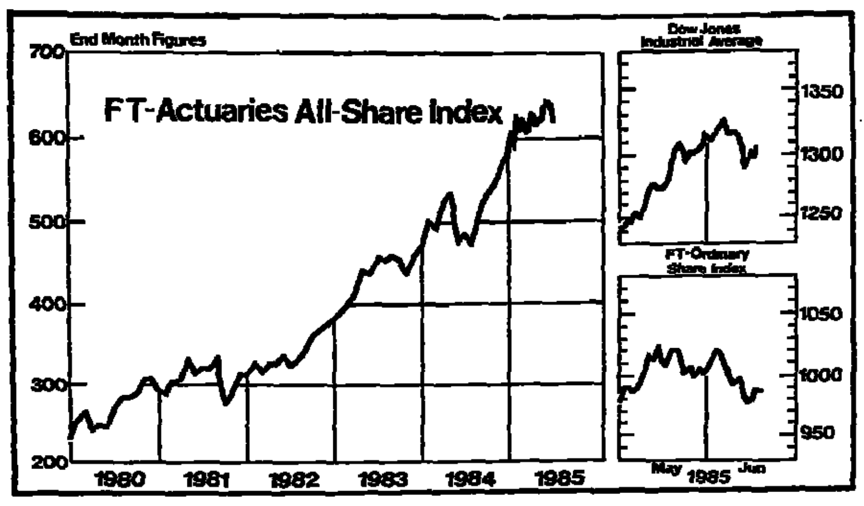
OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	June 18	Previous	Year ago
DJ Industrials	1,302.53*	1,298.39	1,109.65
DJ Transport	640.57*	639.86	466.46
DJ Utilities	164.91*	164.55	123.36
S&P Composite	187.17*	186.53	151.73
LONDON			
FT Ord	985.8	988.3	832.2
FT-SE 100	1,284.0	1,284.4	1,042.6
FT-A All-share	621.21	620.53	494.54
FT-A 500	679.30	678.59	539.91
FT Gold mines	*436.8*	*431.6*	*656.0*
FT-A Long gilt	10.56	10.59	10.78
TOKYO			
Nikkei-Dow	12,741.1	12,769.2	10,082.5
Tokyo SE	1,011.50	1,012.10	775.17
AUSTRALIA			
All Ord.	840.2	841.5	646.3
Metals & Mins.	495.3	498.5	422.7
AUSTRIA			
Credit Aktien	105.09	105.73	54.33
BELGIUM			
Belgian SE	2,326.35	2,327.26	—
CANADA			
Toronto			
Metals & Minls	1,890.8*	1,888.9	1,923.0
Composite	2,717.8*	2,712.7	2,225.8
Montreal			
Portfolio	133.30*	133.00	108.09
DENMARK			
SE	192.65	191.59	182.13
FRANCE			
CAC Gen	223.2	224.9	164.8
Ind. Tendance	125.1	125.7	85.7
WEST GERMANY			
FAZ-Aktien	470.02	463.25	338.24
Commerzbank	1,390.5	1,365.8	979.9
HONG KONG			
Hang Seng	1,427.08	1,441.94	932.37
ITALY			
Banca Comm.	334,20	332.83	197.96
NETHERLANDS			
ANP-CBS Gen	209.8	209.7	149.7
ANP-CBS Ind	175.0	174.2	118.7
NORWAY			
Oslo SE	326.23	330.04	246.05
SINGAPORE			
Straits Times	781.92	778.05	920.63
SOUTH AFRICA			
JSE Golds	–	995.7	961.5
JSE Industrials	–	966.0	959.5
SPAIN			
Madrid SE	106.53	107.27	86.77
SWEDEN			
J & P	1,313.80	1,321.45	1,422.02
SWITZERLAND			
Swiss Bank Ind	434.1	434.2	355.4
WORLD	June 17	Prev	Year ago
Capital Int'l	210.8	210.8	172.7

COMMODITIES

(London)	June 18	Prev
Silver (spot fixing)	489.85p	487.45p
Copper (cash)	£1,129.50	£1,127.50
Coffee (July)	£2,023.50	£2,052.00
Oil (spot Arabian light)	$26.75	$26.80

GOLD (per ounce)

	June 18	Prev
London	$324.75	$319.25
Zürich	$323.75	$319.00
Paris (fixing)	$319.50	$315.67
Luxembourg	*$319.25*	*$317.50*
New York (Aug)	$330.50	$321.80

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	June 18	Previous	June 18	Previous
$	–	–	1.2995	1.2795
DM	3.028	3.0615	3.935	3.915
Yen	247.5	248.65	322.0	318.25
FFr	9.2425	9.335	12.025	11.9575
SwFr	2.5385	2.5745	3.3	3.2925
Guilder	3.4165	3.451	4.4475	4.415
Lira	1,936.5	1,951.0	2,518.0	2,495.0
BFr	61.15	61.85	79.45	79.1
C$	1.3675	1.3705	1.7745	1.7539

INTEREST RATES

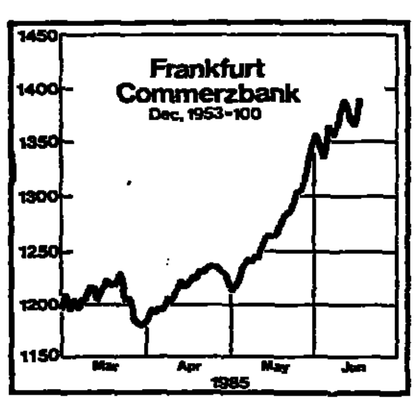
Euro-currencies	June 18	Prev
(3-month offered rate)		
£	12⅝	12 7/16
SwFr	5⅜	5 5/16
DM	5⅝	5 9/16
FFr	10⅝	10 9/16
FT London Interbank fixing		
(offered rate)		
3-month U.S.$	7½	7⅝
6-month U.S.$	7 11/16	7¾
U.S. Fed Funds	6¾*	7
U.S. 3-month CDs	7.00*	7.20
U.S. 3-month T-bills	6.66*	6.74

U.S BONDS

Treasury		June 18*		Prev	
		Price	Yield	Price	Yield
9⅛	1987	101 11/32	8.348	101 7/32	8.43
11¾	1992	109 13/32	9.825	109 4/32	9.88
11¼	1995	108 15/32	9.886	108 8/32	9.94
11¼	2015	109 17/32	10.219	109 8/32	10.26
Corporate		June 17*		Prev	
AT & T		Price	Yield	Price	Yield
10⅜	June 1990	102	9.85	102	9.85
3⅞	July 1990	81⅝	8.50	81⅝	8.50
8¾	May 2000	85	10.80	85	10.80
Xerox					
10⅞	March 1993	100⅝	10.50	100⅝	10.50
Diamond Shamrock					
10¾	May 1993	100¼	10.60	100¼	10.60
Federated Dept Stores					
10⅜	May 2013	95.083	11.20	95.083	11.20
Abbot Lab					
11.80	Feb 2013	105.961	11.10	105.961	11.10
Alcoa					
12¼	Dec 2012	104.474	11.70	104.474	11.70

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%				
June	79-30	80-00	79-12	79-14
U.S. Treasury Bills (IMM)				
$1m points of 100%				
Sept	93.20	93.25	93.13	93.09
Certificates of Deposit (IMM)				
$1m points of 100%				
June	92.84	92.85	92.79	92.73
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	92.38	92.38	92.28	92.30
20-year Notional Gilt				
£50,000 32nds of 100%				
June	106-29	106-28	106-20	106-12



WALL STREET

Muted reply to cuts in prime rates

HOPES of an early reduction in the Federal Reserve discount rate blossomed on Wall Street yesterday although the response from stock and bond markets was restrained, *writes Terry Byland in New York.*

The cut in the prime rate from 10 to 9½ per cent by several major banks offered confidence; however, investors waited for the Fed to confirm the trend to lower rates.

Optimism held firm despite the action of the Fed to drain reserves by overnight matched sales of Treasury securities after federal funds fell to 6¾ per cent.

At 3pm the Dow Jones industrial average was up 4.14 at 1,302.53.

The stock market opened firmly and quickly broke through the Dow 1,300 mark, showing a gain of more than 8 in the first half hour of trading. Turnover was light.

Banking stocks edged forward as the big money centre banks followed Morgan Guaranty and Bankers' Trust in moving to lower prime rates, although this will trim lending margins. The major bank stocks were unperturbed by federal fines imposed on several major names for failing during recent years to disclose large cash transactions.

A federal funds rate below 7 per cent seemed to guarantee a cut in the federal discount rate from its present level of 7.5 per cent. The Fed's intervention was regarded as a temporary gesture, intended to slow down the fall in the funds rate. But the market refused to be impressed, and federal funds dipped again to 6¾ per cent, after the Fed's announcement of matched sales. Bond prices extended early gains to a quarter of a point.

The bank prime cuts brought gains for some capital investment stocks, such as heavy engineering, chemical and machine tool issues. But technology stocks made little recovery from their recent weakness, and auto stocks were lower. Falling world oil prices continued to undermine the leading oil stocks.

Among the blue chips, Exxon added $¾ to $52¾, but IBM fell $½ to $119⅝ in heavy trading. Digital Equipment, second to IBM in data processing, slumped $2⅜ to $86⅜. At $72⅜, General Motors shed $1, and Ford, at $45⅝, was $¼ off. Chrysler, at $35⅞, was $⅝ down, with the acquisition of Gulfstream Aerospace due to be signed today.

Burroughs remained unchanged on the day at $56⅛ as Wall Street consigned to oblivion the aborted merger with Sperry. Sperry, still looking for a partner after the failure of two rounds of negotiation, gained $⅝ to $52 in heavy trading as arbitrageurs built up their bid stakes. A $365m write-off left B.F. Goodrich down $1¼ at $33¼.

Standard Oil of Ohio, controlled by British Petroleum, edged up by $⅛ to $46⅝ after saying it would challenge proposed rates on trans-Alaska pipeline shipments.

Chemicals featured Monsanto, $⅝ higher at $46⅝, and Dow Chemical, $⅝ higher at $33⅞. In industrials, General Electric gained $⅝ to $60, Rexnord $⅞ to $14, and Colt Industries $½ to $61½.

Airline stocks were generally firmer on the prospect of cost reductions through lower oil prices. American Air added $¾ to $44¼ and Delta $½ to $47⅛.

But United tumbled $2 to $52⅜ after agreeing to pay $587.5m – a substantial part of the cash recaptured last week from the overfunded pension scheme – for Hertz Car Rentals. Stock in RCA, which has been trying to sell Hertz for three years, jumped $1¼ to $45⅝ on the news.

The board of Kaiser Aluminum Chemical knew of no reason for the jump in the stock of $⅞ to $13⅞ in brisk trading.

The weakening in the U.S. dollar brought support for drug stocks, which depend heavily on export sales.

The retail sector was brightened on hopes that lower bank primes would stimulate consumer spending.

In the money markets, rates continued to fall as traders anticipated a cut in discount rate. Treasury bills lost about four basis points and certificate of deposit rates dropped by as much as 15 basis points.

The bond market was held in check by expectations that the Treasury would announce before the end of the session a $16bn funding package for the next quarter. But yields on long dated bonds dropped to about 10¼ per cent, the lowest in this cycle.

● The Wall Street report stated incorrectly on June 12 that North American Philips had predicted a loss for the quarter and full year. The electronics group in fact forecast "modestly lower" earnings for the year and "significantly" lower earnings for the second quarter.

LONDON

GILT-EDGED securities were the highlight in a London still starved of cash.

Most leading stocks were content to consolidate around their overnight prices as investors held off in front of tomorrow's debut of Abbey Life.

The generally subdued trading conditions were in part attributed to Wall Street's negative performance on Monday, and the session was only relieved by a flurry of bid speculation.

The FT Ordinary share index eased 2.5 to 985.80.

The partly-paid Treasury 10 per cent 2004 edged up to 30¼, longer-dated gilts achieved gains of about ⅛ but shorts improved only marginally.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36-37

AUSTRALIA

BOTH foreign and domestic buyers showed little interest in Sydney yesterday, and prices turned easier in dull trading.

Further speculation that CSR had sold its interest in Delhi Petroleum to Shell Australia and BHP sent it 11 cents higher to A$2.75. BHP, however, lost 2 cents to A$6.06.

Castlemaine Toohey continued easier, dropping 8 cents to A$5.72 as Bond Corp confirmed it had been the mystery buyer of 9.9 per cent of the brewer's shares.

In a quiet mining sector, Western Mining shed 5 cents to A$3.70, and MIM was 4 cents lower at A$2.71, while North Broken Hill and Bougainville added 2 cents each to A$2.24 and A$2.00, respectively.

SINGAPORE

TECHNICAL factors in Singapore left shares modestly higher for the first time in six sessions. The Straits Times index gained 3.87 to 781.92.

Malaysia's central bank called for lower interest rates to stimulate the economy but was still concerned about the low morale among the banking fraternity.

Despite continued reverberations from the collapse of Hong Kong's OTB, banks ended higher, with Malayan Bank, OCBC and DBS adding 5 cents each to S$5.70, S$9.05 and S$5.85, respectively.

HONG KONG

A HESITANT note was adopted in Hong Kong as the market opened after Monday's holiday, and this mood persisted throughout the day to leave prices depressed.

Monday's news that the Hongkong Bank and Bank of China had agreed to provide funds for the Ka Wah Bank did not assuage all of the nervous sentiment in the banking sector. Hang Seng lost HK$1.75 to HK$42.50, but Hongkong Bank, which on Friday lost 15 cents, ended steady at HK$7.30, and Bank of East Asia added 20 cents to HK$22.20.

CANADA

STRENGTH on Wall Street and in U.S. credit markets pushed Toronto higher during the session.

A firmer bullion price attracted buyers to golds. Little Long Lac added C$1½ to C$61½, Placer rose C$⅝ to C$24¼ but Canamax continued lower to C$5⅝, down C$⅛.

Gains were seen across the board in Montreal.

EUROPE

Peak levels confirm confidence

SPIRITED foreign buying dominated a record-breaking session in Frankfurt yesterday as bullish international and domestic factors combined to rekindle confidence.

The interruption caused by Monday's holiday gave the buying increased potency and aided the Commerzbank index's fourth record for the month.

The index added 24.7 from Friday's level to close at 1,390.50, placing it 2.2 above the previous high set on June 12.

Expectations of falling U.S. interest rates and increasingly optimistic forecasts on the outlook for the West German corporate sector gave the signal to buyers who entered forcefully from the start of business and held command throughout the session.

An upwardly revised profit forecast by Volkswagen pushed it to the fore of market attention, and it finished DM 27.20 higher at DM 312.50.

Other automotive stocks carried forward included Porsche, up DM 29 to DM 1,289.00, BMW DM 9 to DM 425.50 and Daimler-Benz DM 8.50 to DM 825.50.

Insurer Allianz returned to favour, closing DM 25 higher at DM 1,400, while utilities Verba rose DM 3.50 to DM 206 and RWE DM 9.80 to DM 181.

Banks bounded ahead, with Deutsche rising DM 14 to DM 555.50, Commerzbank DM 7 to DM 204.50, Bayer Hypo DM 7 to DM 342.00 and Dresdner Bank DM 7.90 to DM 229.20.

U.S. interest rate hopes also sparked demand on the bond market. The Bundesbank sold a relatively large DM 140.3m of domestic paper on the Frankfurt bourse compared with sales of DM 67.3m on Friday.

Trading in other European stockmarkets was restrained by caution as investors ignored U.S. interest rate trends and concentrated on domestic economic factors.

Paris was depressed by news of a fall in industrial production during April and details of the country's May trade deficit. Price falls were marginal. However, losses held a clear advantage over gains at the end of the sesssion.

Peugeot was one of the leading losers, finishing FFr 7 down at FFr 401 while Michelin managed a FFr 1 rise to FFr 1,011.

Printemp was sold during a generally weaker session for retailers. It lost FFr 6 of the recent advance to end at FFr 277 while Galeries Lafayette struggled to close steady at FFr 575.

Consolidation remained the overriding influence on trading in Zurich, while the underlying tone remained positive.

Volume was moderate, bolstered by profit-taking among stocks which have been most keenly sought during recent weeks.

The machinery sector was clipped back as it entered a correction phase. Fischer moved against the trend to add a further SwFr 8 to SwFr 890.

Banks closed steady to marginally higher which was sufficient to push the sector's index to a previous record level of 722.4 following a 2.1 rise.

Advances outnumbered declines in Amsterdam, but the overall improvement was modest.

Banks were at the top of buying orders. ABN added Fl 4 to Fl 460, and NMB was Fl 2.50 higher at Fl 195, while Amro edged up 40 cents to Fl 80.10 after a Fl 1 rise at the start of trading. FGH dropped 10 cents to Fl 56.20 in otherwise unchanged mortgage banks.

Royal Dutch/Shell recovered ground to close Fl 2.10 higher at Fl 193.60, while other internationals were mixed. Philips eased 40 cents to Fl 50.80, and Unilever was unchanged at Fl 344.

Traders in Brussels tended to ignore bullish indications on local interest rates and trod delicately.

Solvay ran into a heavy round of selling to erode much of its steady improvement and closed BFr 210 lower at BFr 4,400. Other chemical stocks were also easier.

The tempo of activity in Milan remained high, although price movements were mixed.

Fiat firmed L64 to L3,555 while Pirelli added L10 to L2,680.

Light trading persisted in Madrid, and most sectors posted small declines.

Stockholm continued quiet as the Veckans Affarer all-share index dipped to another low for the year with a 1.7 drop to 451.4.

TOKYO

Blue chips spearhead downturn

SELECTIVE buying of large-capital issues persisted in Tokyo yesterday, but declines in blue chips and biotechnology issues took the Nikkei-Dow market average lower for the first time in three sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The index shed 28.17 to 12,741.11. Volume swelled from 680.73m shares to 831.91m as trading focused on large-capital stocks. Declines outpaced advances 481 to 307, with 152 issues unchanged.

Investors continued buying large-capital stocks believing that lower U.S. interest rates would lead to another official discount rate cut, which in turn would push down domestic interest rates.

Mitsubishi Heavy Industries climbed to Y340 at one stage, surpassing the Y333 peak reached in 1981, and closed at Y336, up Y4, with the largest trading volume of 68.90m shares. Kawasaki Heavy Industries gained Y5 to Y194 and Ishikawajima-Harima Heavy Industries Y3 to Y170.

However, Nippon Steel, second with 53.29m shares, dropped Y3 to Y166, and Kawasaki Steel Y1 to Y156.

Nippon Yusen (NYK Line) advanced Y9 to Y320 with the third busiest turnover of 35.33m shares on investor confidence in the Government's deregulation plans of the shipping industry and the company's heavy off-the-book assets. Taiyo Fishery added Y8 to Y296.

Tokyo Gas, sixth largest with 21.99m shares, gained Y6 to Y243 after reports of the U.S. dollar's fall below Y248. Electric powers also gained ground, with Kansai Electric Power rising Y10 to Y1,950. Tokyo Electric Power remained unchanged at Y2,160.

Blue chips remained out of favour. Matsushita Electric Industrial was down Y20 to Y1,400, Sony Y20 to Y3,950, and Nippon Kogaku Y50 to Y1,150. By contrast, Hitachi gained Y8 to Y718, and NEC Y10 to Y1,050.

Biotechnology-related stocks were weak. Dainippon Pharmaceutical shed Y100 to Y3,560 and Green Cross Y70 to Y2,320.

Bonds moved widely. The overnight strength of U.S. long-term bonds sparked buying by institutional investors in early trading, but the market weakened later on profit-taking.

The yield on the benchmark 7.3 per cent government bond due in December 1993 moved up from 6.445 per cent to 6.450 per cent, while the yield on the unlisted 6.8 per cent government bond due in December 1994 fell from 6.505 per cent to 6.495 per cent.

SOUTH AFRICA

IMPROVED demand in golds shares, following a firmer bullion price, took Johannesburg higher.

Those to gain most included St Helena, up R2.50 at R37, Buffels, R1.50 higher at R75.75 and Beatrix ahead 35 cents at R8.95.

Other issues followed the upward trend. In mining financials, Anglo American Corp rose 25 cents to R29.25 and Gold Fields of South Africa added R1.50 to R33.

Diamond share De Beers put on 25 cents to R10.55 while among other mining stocks, Rustenburg Platinum added 15 cents to R15.65. Industrials were mixed to higher.